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AAA - A proven track record of financial success

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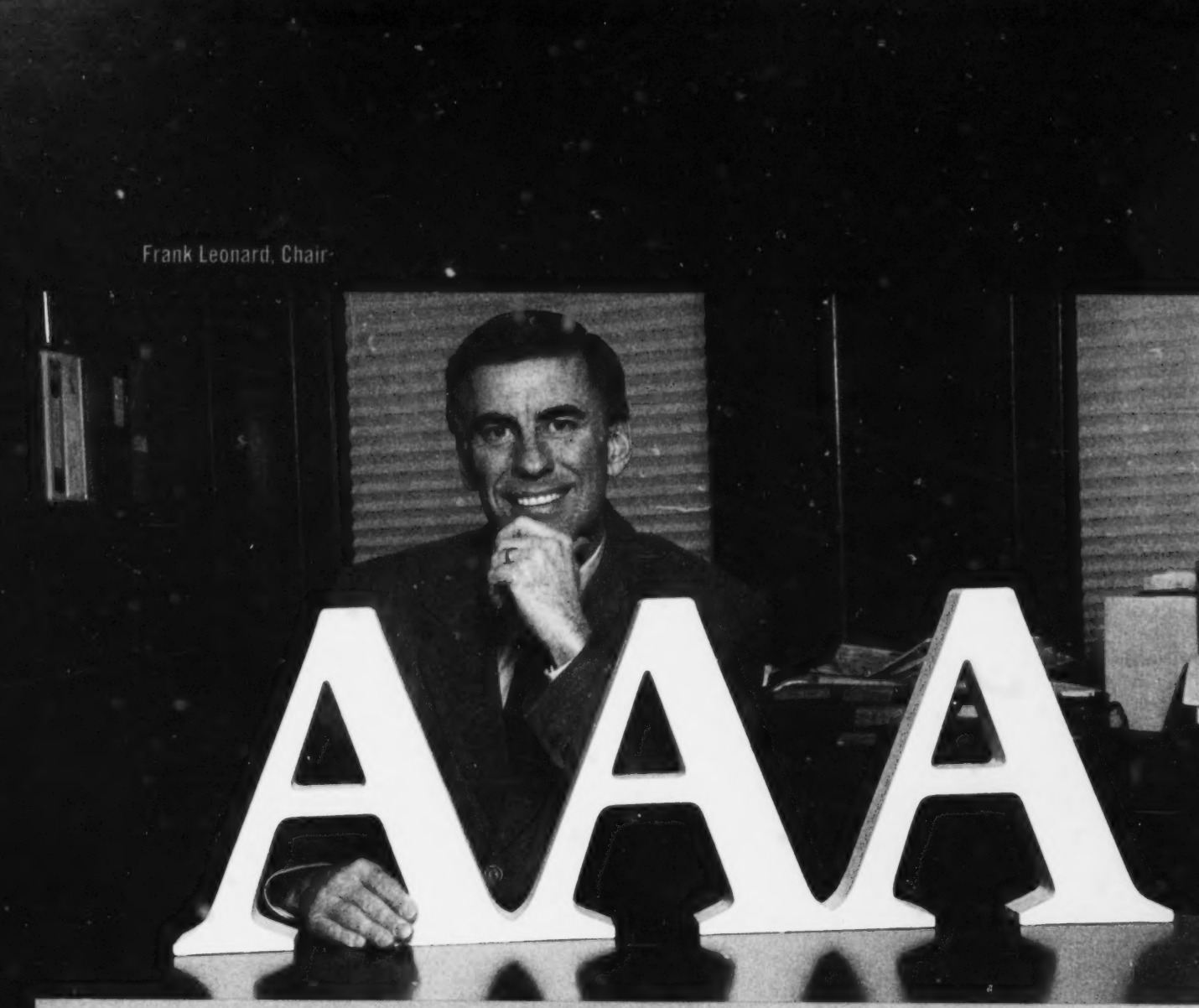


Frank Leonard, Chair-

A Message from the Chair

It is my pleasure and honour to present this annual report on behalf of the Municipal Finance Authority, members, trustees and staff.

I am very pleased to report that the Authority has had another year of growth and success.

Our Pooled Investment Funds program recorded a 15-year high as the total local government monies under management topped $1.4 billion. Capital gains generated by staff within our internal sinking fund portfolio exceeded its budget by a wide margin, and revenues from our Interim Financing and Leasing programs also remained strong.

Successes like these have allowed our annual dividend to be increased from $350,000 in 2002 to $600,000 in 2003. This $600,000 was allocated to users of our Pooled Investment Funds, Interim Financing and Leasing Programs, and to the borrowers of debt in 2003. Your MFA team is working hard to ensure this trend continues in 2004.

Reduced Borrowing Costs to Members

We made a presentation to Standard & Poor's in Toronto last fall in order to receive a credit rating for our new initiative – a Commercial Paper Program. Standard & Poor's responded to the presentation by awarding us their highest possible credit rating.

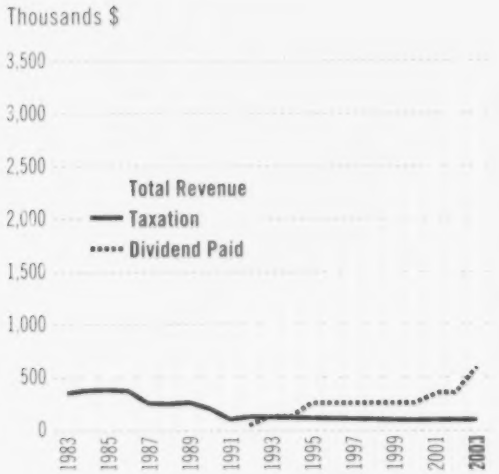
The Commercial Paper Program allows the MFA to borrow short-term monies (i.e. 30 days in length) to fund its Interim Financing and Leasing Programs without having to use a line of credit from a chartered bank. With our new "A-1+" credit rating, we are now saving a combined $30,000 in interest costs every month.

Debenture Issues

Interest rates in the bond markets remained very appealing to our members in 2003.

The Authority borrowed $130 million in the spring of 2003 by re-opening its December 3, 2012 debenture issue. The re-lending rate to our clients was 5.491% and our December 3, 2012 debenture now stands at a respectable $340 million in size.

The trustees and staff took advantage of a "steep yield curve" in the second half of 2003 when one or two-year interest rates were approximately



as of Dec. 31, 2003

Annual Rate of Return	One Year	Since Inception*
Bond Fund		
Municipal Finance Authority**	4.87%	8.60%
SC Short Term Index**	4.93%	8.25%
Intermediate Fund		
Municipal Finance Authority**	3.33%	5.44%
SC 365-Day Treasury Bill Index**	3.21%	5.14%
Money Market Fund		
Municipal Finance Authority**	2.88%	6.02%
SC blended 30/91-Day T-Bill Index**	2.76%	5.76%

*Annual Rate of Return **After fees

as of Dec. 31, 2003

Weighted Average Yield	
Debt Fund	5.631%
Debt Reserve Fund	4.434%
Utilities	5.366%
TransLink	5.705%
Regional Hospital Districts	6.201%

3% and 10-year rates hovered at the 5% level. Instead of issuing our normal 10-year debenture, we divided our $359 million borrowing into two parts: the first was a $131 million serial debenture which had a certain amount maturing in each of nine years; and the second was a new 10-year issue maturing December 3, 2013.

By splitting this borrowing into two parts, re-lending rates to our members were decreased by close to 1/4 of 1%, amounting to annual interest savings of $538,500. Lastly, our "spread" (the interest rate the MFA pays as compared to the Province) was an impressive +2 basis points (.02 of 1%). This compares favourably to AAA municipalities in Ontario whose "spread" to their Province is +5 to +7.

Sinking Fund Surpluses

The pooling concept for investment management paid off handsomely in 2003. MFA staff invest member repayments on debt issues and, once again, these investments' values have exceeded our liability to the bondholders. These excess funds are then returned to our members in these maturing debt issues as Sinking Fund Surpluses.

In 2003, the cash returned to our members as surpluses totaled $35.9 million. A further $2.1 million in future principal and interest to be invoiced to our members was stopped and forgiven.

Helping Communities

Many BC local governments participated in the MFA's Community Workshops Program in 2003. MFA staff worked with our former Executive Director Jim Craven in arranging community meetings where ideas and strategies were discussed in relation to that local government's particular challenges. We expect to continue the Workshops Program in 2004, focusing on regional meetings where common concerns can be addressed and recipes for success created.

This "non-cash" dividend to our clients was further enhanced by the Len Traboulay Education Fund, which channeled $45,000 into colleges and universities throughout BC toward the development of municipal courses. Our goal is to make education and training current, relevant and accessible to local governments throughout our province.

A Real West Coast Success Story

Our MFA is a unique financial institution in Canada. Many marvel at our success, whether they are from east of the Rockies or around the world. We cherish, defend and promote our topnotch credit ratings that are achieved by working together within a defined structure and a tradition of financial discipline.

The growth in our core program, debt financing, and voluntary programs has been remarkable. So, too, are the dividends and surpluses which have been generated.

I wish to thank our members for their strong support and our trustees for their excellent work. Each year has required even more time and commitment from each of them, and I am truly grateful.

Our staff is a small team of dedicated professionals led by Executive Director, Steve Berna. They are responsible for achieving – one day at a time – the continued success of our organization.

Thanks to our members, trustees and staff, we are starting the year on a strong note of optimism and are confident that the year ahead looks just as promising.

FRANK LEONARD
Chair, Municipal Finance Authority of British Columbia

Steve Berna, Executive Director

Need creative solutions? Steve combines common sense with an innovative approach to the field of municipal finance. His goal is to help every MFABC client find solutions to their financial questions, whether that means setting up a Community Bond Program or a better way to manage local government monies.

Steve was born in Fredericton, N.B. and went to high school in Kamloops, B.C. He attended Dalhousie University in Halifax, earning a Bachelor of Commerce in 1986 and his Chartered Accountant's designation in 1988.

Steve came to Victoria in 1988 and worked as a public auditor. He began working with the MFABC in 1991 as Accountant and moved to Director of Finance in 1998. He was named Executive Director in 2002. He and wife Margot have three children. To stay active he bikes to work and coaches soccer.

His willingness to take the road less traveled includes exploring the areas of swaps, collars, fixed and floating and other imaginative financial instruments. He works hard to do whatever he can to "help the folks in B.C. and keep our credit rating safe."

Paul Macklem, Kelowna's Director of Finance, describes him this way: "Steve has a 'can do' attitude when faced with the particular needs of our community. He has worked with the city to seek unique solutions (for example, the Terasen lease-in, lease-out agreement). Steve has the uncommon ability to explain complex financial matters in simple terms while making his client feel like an equal partner in the process. It's apparent that Steve feels privileged to serve as Executive Director of the MFABC and really enjoys his work – and, by the way, he's a nice guy!"

MFA Members 2003

The Municipal Finance Authority represents every community in B.C.

The MFA is comprised of 35 appointed members representing each of British Columbia's 27 regional districts. Some regional districts are entitled to appoint more than one member based on larger populations. MFA members in turn elect 10 trustees at the Annual General Meeting. The board of trustees is comprised of a chair, vice chair and eight trustees.

Of the 10 trustees, four must be from the Greater Vancouver Regional District, one from the Capital Regional District and five from the remaining regional districts. The trustees work closely with staff year-round to determine the policies that guide the MFA's operations.

The members of the MFA meet twice each year, once at the Annual General Meeting in March and again in September or October.

REGIONAL DISTRICT	MEMBER APPOINTED	ALTERNATE
Alberni-Clayoquot	M. Kokura	
Bulkley-Nechako	S. Smith	R. Murray
Capital	F. Leonard (Chair)*	A. Habkirk
Capital	D. Amos	A. Lowe
Cariboo	A. Richmond	
Central Coast	T. Corbould	B. Lande
Central Kootenay	J. Voykin	H. Cunningham
Central Okanagan	R. Hobson*	L. Novakowski
Columbia Shuswap	R. Martin	T. Bacigalupo
Comox-Strathcona	B. Matthews	
Cowichan Valley	M. Coleman*	
East Kootenay	G. Deck	K. Trescher
Fraser-Fort George	C. Kinsley (Vice-Chair)*	
Fraser Valley	T. Raymond	C. Hames
Greater Vancouver	J. Kingsbury	W. Wright
Greater Vancouver	V. Durman*	D. McCallum
Greater Vancouver	D. Bell	K. Morse
Greater Vancouver	B. Sharp*	S. Young
Greater Vancouver	D. MacLean*	L. Jackson
Greater Vancouver	K. Kumagai*	M. Brodie
Greater Vancouver	M. Grinnell	G. Martin
Greater Vancouver	D. Corrigan	D. Cadman
Kitimat-Stikine	J. Talstra	
Kootenay Boundary	R. Hardie	B. Baird
Mount Waddington	G. Furney*	
Nanaimo	J. Stanhope	D. Haime
North Okanagan	J. Oglow	
Northern Rockies	T. Craddock	D. Gray
Okanagan-Similkameen	D. Ashton	G. Logan
Peace River	W. Dahlen	K. Goodings
Powell River	C. Palmer	R. Willow
Skeena-Queen Charlotte	E. Wampler	B. Pages
Squamish-Lillooet	R. Kahlon	R. Oakley
Sunshine Coast	E. Steeves	J. Rees
Thompson-Nicola	J. Ranta*	

* Trustee

OFFICERS

Executive Director	Steve Berna
Director of Finance	Graham Egan

Front of Members and Alternates at the 2003 Semi-Annual Meeting in Kamloops

Graham Egan, Director of Finance

They start here. As Director of Finance, Graham is the dollars and cents expert at MFABC. He is the talented manager of sinking funds (the investments that build to pay off debt) and debt reserve funds. This year his area wrote cheques to our clients for $600,000 in operating dividends and $35.9 million in sinking fund surpluses, in addition to stopping municipal payments on an additional $2.1 million in future debt payments.

Graham started his career at MFABC as Manager of Accounting in 1999, moving to Director of Finance in 2002. He and wife Cyndi have two children and he enjoys coaching basketball.

"I have had the pleasure of consulting with Graham many times over the last few years on financial matters," says Michael Pang, Chief Administrative Officer, at the District of Elkford. "His responses to questions and his counsel on various matters have always been prompt and professional. Most importantly, when dealing with such esoteric subjects Graham maintains a great sense of humour."

What can the MFA do for you?

The MFA was formed in 1970 to promote the financial well-being of local governments throughout BC. We do that with a simple yet effective collective structure that operates much like a credit union, pooling the borrowing needs and the investment needs of BC communities and providing a wide range of other low-cost, flexible financial services. The MFA is 100% owned by BC local government.

We provide capital financing, investment, leasing and short term financial services to communities and public institutions across BC.

The MFA has a "AAA" credit rating, the highest available. This rating allows local government to receive funding at interest rates below those available to chartered banks in Canada.

We do much more than raise money for capital projects. The MFA also offers three programs that your community or organization can use to make the most of its financial resources:

1. Invest surplus funds at better than market rates – professionally managed
2. Arrange low-cost, flexible leases (Prime less 1%) – in or out on one day's notice with no penalties
3. Provide short-term financing at attractive rates (Prime less 1.25%) – in or out on one day's notice with no penalties

Think of us as local governments' banker – a financial service provider that understands the uniqueness of your community.

Each year we offer a free one-day Financial Forum to provide networking and education opportunities that expose local communities to new or timely topics. These sessions arrange presenters who are experts in the topic area.

The Len Traboulay Education Fund provides financial assistance to BC's colleges and universities who are developing courses for local government staff and elected officials. The Fund has provided assistance to colleges and universities in most areas of the Province.

Each year we arrange a series of free workshops to address issues that are critical to local communities. We explore new ways of doing business and alternative financial management techniques by promoting community solutions that encourage regions to work together.

Principal repayments on debt borrowed by our clients are managed internally, and the earnings on these investments accumulate to pay off our debt outstanding.

Monies not needed to pay for operations are returned to our clients as dividends – $600,000 in 2003. Investment earnings that exceed the amounts needed to cover our debt commitments are returned as surpluses – $35.9 million in 2003.

Allison Boyd, Executive Assistant

Lorna Armitage, Administrative Assistant

Administration Allison has a firm grip on MFABC's administration, and it's a job she handles with ease. She works closely with the Executive Director in organizing a busy meeting schedule as well as taking responsibility for the Annual Financial Forum and the legal demand notes and agreements that document each debenture issue.

Allison began her working career with the City of Colwood. She joined the MFABC in 2000 as receptionist and held the position of Administrative Assistant before moving on to her current role. She has certificates in business administration and web design.

She is also the MFABC's resident marathon runner, trap shooter and member of the MFABC rowing team; competing with distinction in all of these activities.

"Like many small communities on Vancouver Island, Tahsis has experienced great change" remarks Darci Thompson, Tahsis , Chief Administrative Officer. "Throughout all of our challenges, we have truly appreciated Allison's warm personality and willingness to help. Her patience, professionalism and knowledge with regard to MFABC services has been of great assistance to us."

Receptionist extraordinaire They say you never get a second chance to make a good first impression, and our receptionist Lorna makes sure we get it right every time. Lorna joined MFABC in 2002 as receptionist and was soon promoted to Administrative Assistant.

Hers is the voice you first hear when you call the office and the face you see when you walk in the door. She can direct your questions and, for our out-of-town customers, suggest the best sights in the city.

An avid cyclist and a walker, Lorna is also the fearless captain of the MFABC rowing team. She is married with two children and has one grandchild.

"Lorna is very helpful and knowledgeable of the MFABC's operations," said Mark Warren, Investment Banker, Laurentian Bank. "With her quick wit and perfect blend of friendliness and professionalism, Lorna has been a terrific addition to the MFABC team."

Client Participation in MFA Programs

From regional districts to municipalities to first nations to regional libraries, the Municipal Finance Authority is helping to build local communities across British Columbia. All in all, more than 280 groups participate in at least one of our three voluntary programs: Pooled Investments, Interim Financing or Leasing. In addition to being able to finance capital projects at low interest rates, participants receive dividends on all three programs, save money on short-term borrowing, and lease equipment or rolling stock at preferred rates.

PI = Pooled Investments
IF = Interim Financing
LE = Leasing
✓ = yes = "in program"
• = no = "not in program"
x = not applicable or not available

Regional Districts:	PI	IF	LE		PI	IF	LE		PI	IF	LE
Alberni-Clayoquot	✓	•	✓	East Kootenay	✓	•	✓	Okanagan-Similkameen	✓	✓	✓
Bulkley-Nechako	✓	✓	•	Fraser-Fort George	✓	•	✓	Peace River	✓	✓	•
Capital	✓	✓	✓	Fraser Valley	✓	✓	✓	Powell River	✓	•	✓
Cariboo	✓	•	✓	Kitimat-Stikine	✓	•	•	Skeena-Queen Charlotte	✓	•	✓
Central Kootenay	✓	•	✓	Kootenay Boundary	✓	✓	✓	Squamish-Lillooet	✓	•	✓
Central Okanagan	✓	•	✓	Mt. Waddington	✓	✓	✓	Sunshine Coast	✓	✓	✓
Columbia Shuswap	✓	•	•	Nanaimo	•	✓	✓	Thompson-Nicola	✓	•	✓
Comox-Strathcona	•	✓	✓	Northern Rockies	✓	•	✓				
Cowichan Valley	✓	✓	•	North Okanagan	✓	•	✓				

Municipalities:	PI	IF	LE		PI	IF	LE		PI	IF	LE
100 Mile House	✓	•	✓	Fort St. John	✓	✓	✓	Midway	✓	•	✓
Abbotsford	✓	✓	•	Fruitvale	•	•	✓	Mission	✓	•	✓
Alert Bay	✓	✓	✓	Gibsons	✓	•	•	Montrose	✓	•	✓
Anmore	✓	•	✓	Golden	✓	✓	✓	Nakusp	✓	✓	✓
Armstrong	✓	•	✓	Gold River	✓	•	✓	Nanaimo	✓	•	•
Ashcroft	✓	✓	✓	Granisle	✓	•	•	Nelson	✓	✓	✓
Belcarra	✓	•	•	Greenwood	✓	•	✓	New Denver	✓	•	•
Bowen Island	✓	•	✓	Harrison Hot Springs	•	•	✓	New Hazelton	✓	✓	•
Burns Lake	✓	•	✓	Hazelton	✓	•	•	New Westminister	✓	•	•
Cache Creek	✓	•	•	Highlands	•	•	✓	North Cowichan	✓	•	✓
Campbell River	✓	•	✓	Hope	✓	✓	✓	North Saanich	✓	•	✓
Castlegar	✓	•	•	Houston	✓	✓	•	North Vancouver (District)	✓	•	✓
Central Saanich	✓	•	•	Hudson's Hope	•	•	✓	Oak Bay	✓	•	✓
Chase.	✓	•	✓	Invermere	✓	•	✓	Oliver	✓	•	✓
Chetwynd	✓	•	✓	Kamloops	✓	•	✓	Osoyoos	•	•	✓
Chilliwack	✓	•	•	Kaslo	✓	✓	✓	Parksville	✓	✓	•
Clinton	✓	•	•	Kelowna	✓	•	•	Peachland	✓	✓	✓
Coldstream	✓	✓	✓	Kent	✓	•	✓	Pemberton	✓	✓	✓
Colwood	✓	•	✓	Keremeos	✓	✓	✓	Penticton	✓	✓	•
Comox	✓	•	✓	Kimberley	✓	•	✓	Pitt Meadows	✓	✓	•
Coquitlam	✓	•	•	Kitimat	✓	•	•	Port Alberni	✓	✓	✓
Courtenay	✓	✓	✓	Ladysmith	✓	✓	✓	Port Alice	✓	•	•
Cranbrook	•	✓	•	Lake Country	✓	✓	•	Port Clements	✓	•	•
Creston	✓	•	✓	Lake Cowichan	✓	•	✓	Port Coquitlam	✓	•	•
Cumberland	✓	✓	✓	Langford	✓	✓	✓	Port Edward	✓	✓	✓
Dawson Creek	✓	•	✓	Lillooet	✓	•	•	Port Hardy	✓	•	✓
Delta	•	•	✓	Lumby	✓	•	•	Port McNeill	✓	•	•
Duncan	✓	✓	✓	Lytton	•	•	✓	Port Moody	✓	•	✓
Elkford	•	•	✓	Mackenzie	✓	•	✓	Pouce Coupe	✓	•	✓
Enderby	✓	•	•	Maple Ridge	✓	•	✓	Powell River	✓	•	✓
Esquimalt	✓	✓	•	Massett	✓	•	•	Prince George	✓	•	✓
Fernie	✓	•	✓	McBride	✓	✓	✓	Prince Rupert	•	✓	✓
Fort Nelson	•	•	✓	Merritt	✓	✓	✓	Princeton	✓	•	•
Fort St. James	•	•	✓	Metchosin	✓	•	•	Qualicum Beach	✓	•	•

Jane Morrison, Accountant

Meagan Carver, Accounting Assistant

Numbers There are many numbers in the daily work of Jane, MFABC Accountant, not the least of which are our customers' financing requests, and the dividends available through the Leasing and Interim Financing Programs.

Jane received her Bachelor of Economics degree from Queens University and spent two years at Carnegie - Mellon University in Pittsburgh as a research assistant. She is enrolled in the Canadian Securities Course and is working on her CGA designation. She has two children.

An outdoors lover, Jane enjoys camping and boating. She has completed the "great walk" from Gold River to Tahsis on the West Coast of Vancouver Island and the West Coast Trail twice!

"During a transition from one leasing company to another, Jane was unfailingly patient despite the huge volume of calls she got from customers, all of whom must have been asking her the same questions!" said Bill Lindsay, Administrator of Hudson's Hope. "Her sense of humour and her care makes us feel very close to the MFABC, despite the vastness of this Province."

OPerating Fund Meagan's eagle eye looks after the MFABC operating fund and keeps the accounts payable and receivables in impeccable order. A graduate of Royal Roads University with a Bachelor of Commerce in Entrepreneurial Management in 2002, she is now a student with the Certified General Accountants of BC.

Meagan started at MFABC in April 2003 and her responsibilities as Accounting Assistant include daily administration of the operating fund plus assisting with monthly accounting processes.

Meagan is volunteer treasurer for the Pacific Centre Family Services Association, a non-profit agency that provides counseling services to the community, and a member of the distinguished MFABC rowing team.

"Nothing is too much trouble for Meagan! She is intelligent, cheerful and efficient," says Jim Craven, MFABC consultant.

Municipalities (cont'd):	PI	IF	LE
Quesnel	•	✓	✓
Radium Hot Springs	✓	•	✓
Revelstoke	✓	✓	✓
Richmond	✓	•	✓
Rossland	•	✓	✓
Saanich	✓	✓	✓
Salmo	•	•	✓
Salmon Arm	✓	✓	•
Sayward	✓	•	✓
Sechelt	✓	•	•
Sicamous	✓	✓	•
Sidney	✓	✓	✓
Silverton	✓	✓	✓
Slocan	✓	•	•
Smithers	✓	✓	✓
Sooke	✓	•	✓
Sparwood	✓	•	✓
Squamish	•	✓	•
Stewart	✓	•	✓
Summerland	✓	•	•
Surrey	✓	•	•
Tahsis	✓	•	•
Taylor	✓	•	✓
Telkwa	✓	•	✓
Terrace	✓	•	•
Tofino	✓	•	✓
Trail	✓	•	✓
Tumbler Ridge	✓	•	•
Ucluelet	✓	✓	✓
Valemount	✓	•	✓
Vernon	✓	•	•
Victoria	✓	•	•
View Royal	✓	•	•
Warfield	✓	•	✓
Wells	•	•	✓
West Vancouver	✓	•	•
Whistler	✓	•	✓
White Rock	✓	✓	✓
Williams Lake	✓	•	✓
Zeballos	✓	•	✓

First Nations:	PI	IF	LE
Adams Lake Indian Band	✓	x	x
Bonaparte Indian Band	✓	x	x
Chawathil Indian Band	✓	x	x
Chemainus First Nation	✓	x	x
Ch-ihl-kway-uhk Tribe Society	✓	x	x
Kamloops Indian Band	✓	x	x
Kwaw Kwaw Pilt Band	✓	x	x
Matsqui Band Taxation	✓	x	x
Millbrook First Nation	✓	x	x
Namgis First Nation	✓	x	x
Old Massett Village Council	✓	x	x
Seabird Island Indian Band	✓	x	x
Skowkale Band Taxation	✓	x	x
Sliammon First Nation	✓	x	x
Songhees/Esquimalt First Nation	✓	x	x
Sto:lo Nation	✓	x	x
T'it'q'et Nation	✓	x	x
Tsawwassen First Nation	✓	x	x
Tzeacthen Indian Band	✓	x	x
Westbank First Nation	✓	x	x
Westbank First Nation Taxation	✓	x	x

Hospital/Regional Hospital Districts:	PI	IF	LE
Alberni-Clayoquot	✓	✓	x
Bulkley-Nechako	✓	•	x
Capital	✓	✓	x
Cariboo	✓	•	x
Central Okanagan	•	✓	x
Children's and Women's Health Centre of BC	✓	•	x
Comox-Strathcona	•	✓	x
Cowichan Valley	•	✓	x
Delta Centennial Hospital	✓	•	x
East Kootenay	✓	✓	x
Fraser Fort George	✓	✓	x
Integrated Cadastral	✓	•	x
Kelowna General Hospital Foundation	✓	•	x
Kootenay Boundary	•	✓	x
Kootenay East	✓	•	x
Mater Misericordiae Health Care Facility	✓	•	x
Mt. Waddington	•	✓	x
Nanaimo	•	✓	x
North Okanagan	•	✓	x
North Okanagan Health Region – Shuswap Community Health Care	✓	•	x
Northwest	•	✓	x
Okanagan-Similkameen	•	✓	x
Peace River	✓	✓	x
Skeena-Queen Charlotte	•	✓	x
Sparwood General Hospital	✓	•	x
Squamish-Lillooet	✓	•	x
Stuart-Nechako	✓	•	x
Sunshine Coast	✓	✓	x
Thompson	✓	✓	x
Thompson-Nicola	✓	•	x
West Kootenay-Boundary	•	✓	x

Others:	PI	IF	LE
Association of Kootenay & Boundary Municipalities	✓	x	x
Association of Yukon Communities	✓	x	x
Barriere Improvement District	✓	x	x
Bighorn, Alberta	x	x	✓
Bluewater, Ontario	x	x	✓
Board of Cemetery Trustees of Greater Victoria	✓	x	x
Capital Regional Housing Corporation	✓	x	x
Central Huron, Ontario	x	x	✓
CivicInfo BC	✓	x	x
CREST	•	✓	✓
Dawson City, Yukon	•	x	✓
E-COMM	•	✓	•
Fraser Basin Council Society	✓	x	x
Fraser Valley Regional Library	✓	x	x
Gananoque, Ontario	x	x	✓
Government Finance Officers' Association	✓	x	x
Grand Forks Irrigation District	✓	x	x
Greater Napenee, Ontario	x	x	✓
Hedley Improvement District	✓	x	x
Iroquois Falls, Ontario	x	x	✓
Jasper, Alberta	x	x	✓
Lambton Shores, Ontario	x	x	✓
Lund Waterworks Improvement District	✓	x	x
Mt. Parke Estates Improvement District	✓	x	x
Municipal Finance Authority of British Columbia	✓	✓	•
Municipal Insurance Association	✓	x	x
Local Government Management Association	✓	x	x
Naramata Water System	✓	x	x
Nootka Sound Economic Development Corp.	✓	x	x
North Central Municipal Association	✓	x	x
North Peace Airport Assn.	✓	x	x
Okanagan Mainline Municipal Association	✓	x	x
Okanagan-Kootenay Sterile Insect Release	•	✓	x
Pt. Alberni Harbour Commission	✓	•	x
Razor Point Improvement District	✓	x	x
Shawnigan Improvement District	✓	x	x
South East Kelowna Irrigation District	✓	x	x
Stettler, Alberta	x	x	✓
Tecumseh, Ontario	x	x	✓
Thorold, Ontario	x	x	✓
Union of BC Municipalities	✓	x	x
Vancouver Island Municipal Association	✓	x	x
Vancouver Island Regional Library	✓	x	x
Welland, Ontario	x	x	✓
Westbank Irrigation District	✓	x	x

School Districts/ Colleges/Universities:	PI	IF	LE
Capilano	•	x	✓
Camosun	•	x	✓
College of the Rockies	✓	x	•
Langara	•	x	✓
New Caledonia	•	x	✓
School District #50 – Queen Charlotte	✓	x	x
School District #75 – Mission	✓	x	x
University of Northern British Columbia	✓	x	•

Renata Hale, Senior Accountant

Shelley Hahn, Manager of Accounting

As Senior Accountant, Renata is the keeper of MFABC's general ledger and to say she is a numbers person is quite an understatement. Renata is the administrator of the Pooled Investment Funds program, handles cash settlements for all MFABC's investments and takes care of the month-end accounting for all our products.

Renata earned her CGA designation in 2001, followed by a Bachelor of Accounting Science in 2002. She worked in public practice accounting, and also at Royal Roads University as a senior accounting associate prior to joining the MFABC in 2002. She is on the education committee of the local CGA Board supporting students in the program, and is currently developing a pilot mentor program for CGA students in the Victoria area.

She was named after her father's hometown of Renata, BC and raised in nearby Castlegar. In her spare time she is a prolific reader.

"Renata is just an ever constant source of useful information and instruction, plus an asset par excellence to MFABC," says Karen Cote, Invermere Deputy Treasurer.

are Shelley's domain (spreadsheets and trial balances) – and she navigates this terrain most efficiently. First hired as Accounting Officer in 1997, Shelley took on the Manager of Accounting role in 2002. She has full responsibility for MFABC's accounting department, operates our Commercial Paper program, and completes the administrative functions of our Capital Financing program.

Born and raised on Vancouver Island, Shelley travels the world every chance she gets and credits her love of the wide-open ocean to her commercial fisherman father, whom she accompanied on fishing trips 30 miles off the wild western side of Vancouver Island.

Shelley is an outstanding resource who knows our financial products inside out. She is always willing to help customers with their questions and concerns.

Sheryl Worthing, Director of Financial Services of Burns Lake describes Shelley as a "hardworking individual who always goes the extra mile. It is a real pleasure working with her!"

Financial Summary

Thousands of Dollars

At December 31	2003	2002
Debt Fund		
Total assets – combined funds	**4,861,635**	4,527,052
Loans to Clients outstanding	**3,190,709**	2,935,516
Long-term debt outstanding	**3,748,257**	3,580,977
Investments, including sinking funds	**1,060,343**	1,144,195
Long-term debt, net of investments	**2,687,914**	2,436,782
Debt Reserve Fund, total assets	**256,637**	253,009
YEAR ENDED DECEMBER 31		
New loans to Clients – long term	**490,089**	380,292
Loan repayments from Clients – long term	**234,027**	276,463
New debt issued	**492,554**	405,133
Debt retired	**331,647**	227,576
Investment income	**70,504**	75,631
Interest paid	**243,145**	233,717
Short term loans outstanding	**212,756**	195,508
Pooled Investments		
Money Market Fund – Unitholders' Equity	**816,339**	831,547
Intermediate Fund – Unitholders' Equity	**117,693**	105,296
Bond Fund – Unitholders' Equity	**169,118**	201,507

Marguerite Fenske, Project Coordinator

Knowing precisely where things are is Marguerite's responsibility as Project Coordinator. She manages our computer systems and helps coordinate new projects, such as the Municipal Investment Plan, and the new Ratings Presentation data base.

Before joining MFABC in 2000, Marguerite worked for the Capital Regional District and has experience with the MFA's Leasing, Interim Finance, and Pooled Investment programs. She is a Board member for the Len Traboulay Education Fund. Born in Victoria, Marguerite has one daughter, Cassidy.

Johanna Coughlin, Administrator for the District of Hope, was impressed with the extremely high level of customer service that Marguerite demonstrated in the early days of setting up the Municipal Investment Plan program, "What could have been a frustrating experience was turned into an interesting learning experience due to Marguerite's helpful and patient attitude," says Johanna.

Information for Investors and Financial Statements

Information for Investors

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Investor Highlights

2003 debenture issues

Two debenture issues were launched in 2003 raising a total of $489 million.

- **April 2003** – $130 million. The Authority's Spring borrowing re-opened its December 3, 2012 debenture issue. Total size of this debenture now stands at $340 million.
- **October 2003** – $359 million. The Fall borrowing took advantage of a steep yield curve and split the issuance into two parts: a $131 million serial issue, and a $228 million new December 3, 2013 debenture.

PROJECTED BORROWINGS

The Authority's Spring 2004 issuance will strongly consider re-opening its December 3, 2013 debenture. The steepness of the yield curve and the attractiveness of part of our borrowing being a serial debenture will also be reviewed.

Many of the Authority's Clients are formalizing future borrowing plans. These projected capital needs are not known at time of publishing.

PILLARS OF OUR "AAA" CREDIT RATING

The MFA has earned a AAA credit rating from both Moody's Investors Service and Standard & Poor's, the highest level attainable by any debt issuer. Our credit rating is built on pillars of responsible legislation and judicious financial management.

- **Taxing Powers** – Without needing approval from any other level of government, the MFA can impose a tax on virtually all the land and improvements in the province.
- **Prudent Borrowing Powers** – Each MFA client is governed by a borrowing power calculation that sets a ceiling on the percentage of revenues that are allowed to service debt. The Ministry of Community, Aboriginal and Women's Services polices the local government requests to ensure these ceilings are not surpassed.
- **Balanced Budgets** – Municipalities and regional districts are required to be fiscally responsible by maintaining balanced budgets.
- **Self-liquidating Projects** – Inspector of Municipalities reviews and approves all sewer and water bylaws to ensure that they are self-liquidating.
- **Healthy Local Governments** – Ministry of Community, Aboriginal and Women's Services tracks statistics on the health of each local government, and reviews these statistics and other information prior to approving the borrowing bylaws.
- **Strong Reserve Fund** – The MFA's debt reserve fund is used as the first line of defense in case of any default on repayments by its Clients. No defaults have ever occurred.
- **Extended Protection** – In addition, the MFA has a $300 million line of credit at its disposal, plus a $150 million committed backstop line available on same day notice.
- **Excellent Debt Coverage** – Municipal Reserves and Surpluses exceed their Net Debt by a ratio of 1.3 times.

DEBT ANALYSIS AT DECEMBER 31, 2003:

THOUSANDS OF DOLLARS	
Long-term debt outstanding	$3,748,257
Investments	1,060,343
Long-term debt, net of investments	2,687,914
Municipal Reserves and Surpluses	3,529,773
Debt Reserve Fund	256,637
Surpluses returned 2003	35,924

COMMERCIAL PAPER PROGRAM

In October 2003, the MFA launched an "A-1+" commercial paper program, borrowing $125 million each month, at a level of B/A's less 7 to 10 basis points. Interest savings each month to our Clients average around $30,000.

The Municipal Finance Authority at a Glance

How we operate

Responsibility

The Municipal Finance Authority of British Columbia was established in 1970 by the Municipal Finance Authority of British Columbia Act.

Regional districts and B.C. municipalities finance all long-term capital requirements through the MFA, except those met by senior levels of government.

Since 1995, our Client base has expanded to include Greater Vancouver Water District and the Greater Vancouver Sewerage and Drainage District (Utilities), Emergency Communications for Southwest British Columbia (E-Comm), Regional Hospital Districts (RHD) and the Greater Vancouver Transportation Authority (GVTA or TransLink).

The City of Vancouver is the only municipality that retains the right to issue its own securities to finance capital projects. Taxable land and improvements within the City of Vancouver are, nevertheless, subject to rates levied by the Municipal Finance Authority for the annual operating levy, and also to replenish the debt reserve fund, should it ever be drawn upon.

Representation

The Province of B.C. is divided into twenty-seven regional districts, each of which is governed by a regional board consisting of representatives of its member municipalities and unincorporated areas. The MFA is comprised of 35 members who represent these districts. A complete listing of members and trustees and a description of how they are selected is provided on page 7.

Funding

When the MFA's Clients wish to finance capital projects, Ministry-approved requests are presented to the MFA and approved by its members. Subject to market and economic conditions, the MFA's board of trustees then may authorize the issue and sale of securities sufficient to meet aggregate Client requests.

Proceeds from the sale of these securities is not to exceed the amount authorized. The board of trustees also determines the rates, terms and conditions, including the markets and currencies, for the sale of these securities.

The MFA has the power to provide for the creation, management and application of sinking funds, or other means of securing the repayment of its securities, including calling for their early redemption.

A separate sinking fund account is maintained for each securities issue. Principal repayments from Clients, or monies which cannot be immediately applied toward repaying the debt, may be invested in:

a) securities of the government of Canada or a province of Canada, or

b) securities fully guaranteed by the government of Canada or by a province of Canada, or

c) securities of a municipality or regional district in B.C. or another province of Canada, maturing not later than the securities for which the sinking fund was created, or

d) investments guaranteed by a Canadian chartered bank, or

e) deposits in or securities of a credit union incorporated under the British Columbia Credit Union Act, or

f) securities of the MFA maturing not later than the securities for which the sinking fund was created.

How we safeguard investors

Financial Protection

In B.C., the combined credit of all the regional districts and their member municipalities, the utilities, TransLink and regional hospital districts – which together have essentially all the taxable land and improvements in the province – stands behind the MFA's obligations.

In addition, the MFA has established a debt reserve fund. Each Client must contribute to this fund for securities issues in which they participate that have a term of five years or more. The contribution is equal to one-half the Client's average annual principal and interest instalment. This amount is payable to the MFA at the time of issue, either in full or in an amount equal to one percent of the principal amount borrowed. (TransLink contributes two percent.) The balance is secured by a non-interest bearing demand note of the regional district or regional hospital district issued to the MFA.

Monies paid into the debt reserve fund, and interest that the fund earns, are obligations of the MFA to its Clients and must be refunded to them when final loan instalments have been made. However, where a municipality, utility, or TransLink has discharged its debt obligation to a regional district, the MFA may, during the term of the issue, repay to the regional district a portion of that obligation. This repayment will be for the credit of the municipality, utility, or TransLink.

If, at any time, the MFA lacks sufficient funds to meet principal, interest or sinking fund payments due on its obligations, it must utilize the debt reserve fund. All or any part of this fund is available to satisfy MFA obligations, regardless of the sources of the money in the fund. In the event that payments are made from the debt reserve fund, the MFA will recover such payments from the regional districts and regional hospital districts involved to restore the debt reserve fund.

If the Trustees are of the opinion that payments made from the debt reserve fund will not be recovered within a reasonable period, they will levy upon all taxable land and improvements in the province a tax sufficient to restore the fund. It is mandatory for the Trustees to levy such a tax when the balance in the debt reserve fund is less than 50 percent of what the balance would have been had no such payments been made. The defaulting Client is not relieved of their unpaid balance owing and is obligated to reimburse the other MFA Clients that covered the default.

The Trustees power to impose taxes does not require the permission or approval of any other governmental authority. Pending the receipt of such taxes, the Authority may borrow an equivalent amount to meet its obligations.

The provincial government has guaranteed that the debt reserve fund will be maintained in accordance with the Municipal Finance Authority Act. The Inspector of Municipalities may inspect the fund from time to time and issue a certificate that it has been maintained at the proper level.

Monies in the debt reserve fund may be invested in:

a) securities of the government of Canada or a province of Canada, or
b) securities fully guaranteed by the government of Canada or a province of Canada, or
c) deposits in or investments guaranteed by a Canadian chartered bank, or
d) deposits in or securities of a credit union incorporated under the British Columbia Credit Union Act.

These investments must mature or be callable within five years and at least 25 percent of the fund must be callable within 90 days.

Legislative Protection

Clients who finance through the MFA must obtain the same provincial approvals as are required if they were issuing their own securities. In this way, all the safeguards imposed by the Provincial Legislature on incurring Clients' indebtedness are retained. These safeguards require that the Inspector of Municipalities or the Ministry of Health approve the debt and user charges, if any, and other taxes to service the debt. In addition, sewer and water projects require a certificate of self-liquidation from the Inspector of Municipalities.

Limitations on the borrowing power of a Client for each borrowing function (i.e. sewer, water, roads, etc.) may be specified in its letters patent. Municipalities in BC cannot borrow debt that will cause its annual debt service payments to exceed 25% of its revenues.

How we serve our Clients

The Municipal Finance Authority was established because it made economic sense for individual municipalities and regional districts to borrow together as a group and to guarantee each other's credit. By acting together we are able to provide low interest rate financing for communities' capital programs and offer other innovative, flexible financial services.

Pooled Investment Program

Organization

The Municipal Finance Authority Act was amended in 1988 authorizing the MFA to provide short-term investment opportunities for regional districts and municipalities in B.C. In 1992, the Act was further amended to extend the investment program to certain other public institutions in B.C.

The amendments resulted in the establishment and operation of three pooled investment funds. Two funds commenced operations in May, 1989 and a third in 1994.

Participation

Participation in the Pooled Investment Program by public institutions is voluntary.

Investment activities

The investment activities of the funds are governed by the Municipal Finance Authority Act and a charter of investment policies, objectives and guidelines.

Interim Financing Program

Organization

The Interim Financing Program commenced operations in December, 1990 after amendments were made to the Municipal Finance Authority Act to enable the MFA to offer interim financing to regional districts and municipalities. In 1992, the Act was further amended to include certain other public institutions in B.C.

Participation

Participation in the Interim Financing Program by public institutions is voluntary.

Purposes for which interim financing may be provided

The Authority may provide financing for one or more of the following purposes:

a) temporary financing of capital projects
b) short-term capital borrowing up to 5 years
c) revenue anticipation borrowing
d) temporary financing to meet current operating expenditures

Pooled Leasing Program

Organization

In 1995, the Municipal Finance Authority started its Pooled Leasing Program, funded with the same line of credit as the Interim Financing Program. The Authority is authorized to finance short-term debt for capital expenditures, including leasing.

Purposes for which leasing may be provided

All commonly leased assets from office equipment to rolling stock are eligible under the program.

Participation

Participation in the program is voluntary. The program is now available to colleges and universities, and may also soon be made available to other public bodies.

Auditors' Report

To the Members of the Municipal Finance Authority of British Columbia

We have audited the balance sheets of the Debt Fund, Debt Reserve Fund, Operating Fund and the Short Term Debt Fund (collectively, the "Capital Financing Funds") of the Municipal Finance Authority of British Columbia (the "Authority") and the combined balance sheets of these Funds as at December 31, 2003 and 2002, the statements of revenue, expenditure and surplus and cash flows of each of these Funds and the combined statements of revenue, expenditure and surplus and cash flows of these Funds for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Capital Financing Funds of the Authority as at December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
February 6, 2004

Balance Sheets

DECEMBER 31, 2003 AND 2002

THOUSANDS OF DOLLARS

	COMBINED		DEBT FUND	
	2003	2002	**2003**	2002
ASSETS				
Loans to Clients (Note 2) (Schedule page F27)	$ **3,190,709**	2,935,516	**3,190,709**	2,935,516
Short term loans to Clients (Note 3)	**125,867**	135,509	–	–
Investments, net of holdings of the Authority (Note 4)	**1,060,343**	1,140,930	**987,053**	1,073,467
Investments under management (Note 5)	**174,715**	–	**174,715**	–
Investments in sinking funds (Note 6)	–	3,265	–	3,265
Sinking fund assets in excess of related debt (Note 6)	–	15,601	–	15,601
Accrued interest and other receivables	**90,371**	78,412	**89,331**	78,017
Demand notes receivable from Clients, without interest	**177,044**	172,508	–	–
Unamortized issue costs	**32,986**	36,148	**32,640**	35,749
Cash and cash equivalents	**8,770**	8,309	**5,899**	5,133
Capital assets (Note 7)	**830**	854	–	–
Due from Debt Fund	–	–	–	–
Due from Operating Fund	–	–	–	–
	$ **4,861,635**	4,527,052	**4,480,347**	4,146,748
LIABILITIES, EQUITY AND SURPLUS				
Liabilities:				
Long-term debt (Note 8) (Schedule page F22)	$ **3,748,257**	3,580,977	**3,753,875**	3,593,232
Bank and short term indebtedness (Note 9)	**213,426**	195,907	–	–
Due to Clients (Note 10)	**281,439**	288,707	**24,804**	35,701
Due to Clients – Investments under management (Note 5)	**174,715**	–	**174,715**	–
Accounts payable and accrued interest payable (Note 11)	**44,825**	44,324	**44,302**	43,936
Due to Short Term Debt Fund	–	–	**86,889**	59,999
Due to Operating Fund	–	–	**29**	25
Due to Debt Reserve Fund	–	–	–	–
Total liabilities	**4,462,662**	4,109,915	**4,084,614**	3,732,893
Equity in capital assets	**830**	854	–	–
Appropriated Surplus	**788**	975	–	–
Surplus (Note 1b)	**397,355**	415,308	**395,733**	413,855
Contingent liability (Note 17)				
	$ **4,861,635**	4,527,052	**4,480,347**	4,146,748

SECRETARY-TREASURER

DEBT RESERVE FUND		OPERATING FUND		SHORT TERM DEBT FUND	
2003	2002	**2003**	2002	**2003**	2002
–	–	–	–	–	–
–	–	–	–	**212,756**	195,508
78,908	79,718	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
363	188	**356**	207	**321**	–
177,044	172,508	–	–	–	–
–	–	–	–	**346**	399
322	589	**2,306**	2,505	**243**	82
–	–	**830**	854	–	–
–	–	**29**	25	–	–
–	6	–	–	–	–
256,637	253,009	**3,521**	3,591	**213,666**	195,989
–	–	–	–	–	–
–	–	–	–	**213,426**	195,907
256,635	253,006	–	–	–	–
–	–	–	–	–	–
2	3	**327**	347	**194**	38
–	–	–	–	–	–
–	–	–	–	–	–
		–	6	–	–
256,637	253,009	**327**	353	**213,620**	195,945
–	–	**830**	854	–	–
–	–	**788**	975	–	–
–	–	**1,576**	1,409	**46**	44
256,637	253,009	**3,521**	3,591	**213,666**	195,989

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Statements of Revenue, Expenditure and Surplus

YEARS ENDED DECEMBER 31, 2003 AND 2002

THOUSANDS OF DOLLARS

	COMBINED		DEBT FUND	
	2003	2002	**2003**	2002
REVENUE				
Interest from loans to Clients	$ **258,180**	255,427	**253,751**	252,381
Investment income	**70,504**	75,631	**66,868**	70,555
Management fees	**673**	929	–	–
Recoveries from new issues	**429**	429	–	–
Operating levy	**108**	103	–	–
Total revenue	**329,894**	332,519	**320,619**	322,936
EXPENDITURE				
Interest on long-term debt	**243,145**	233,717	**243,145**	233,717
Interest on bank and short term indebtedness	**7,869**	6,485	**3,909**	3,805
Amortization of issue costs	**5,365**	4,875	**5,275**	4,747
Administrative	**2,908**	2,122	–	–
Management fees	–	–	**1,915**	1,738
Accrual of investment income due to Clients	**4,193**	5,890	**782**	960
Debt management and marketing	**239**	182	–	–
Total expenditure	**263,719**	253,271	**255,026**	244,967
Excess of revenue over expenditure before the following	**66,175**	79,248	**65,593**	77,969
Write down on lease receivables	–	(276)	–	–
Excess (deficiency) of revenue over expenditure for the year	**66,175**	78,972	**65,593**	77,969
Surplus, beginning of the year	**415,308**	450,284	**413,855**	449,208
Allocations to Clients (Note 12)	**(83,715)**	(113,322)	**(83,715)**	(113,322)
Application of appropriated surplus	**975**	699	–	–
Appropriation of surplus	**(788)**	(975)	–	–
Dividends paid	**(600)**	(350)	–	–
Surplus, end of the year	$ **397,355**	415,308	**395,733**	413,855

DEBT RESERVE FUND		OPERATING FUND		SHORT TERM DEBT FUND	
2003	2002	2003	2002	2003	2002
–	–	–	–	8,338	6,851
3,530	5,015	106	61	–	–
–	–	2,854	2,870	–	–
–	–	429	429	–	–
–	–	108	103	–	–
3,530	5,015	3,497	3,463	8,338	6,851
–	–	–	–	–	–
–	–	–	–	7,869	6,485
–	–	–	–	90	128
–	–	2,717	2,049	191	73
80	78	–	–	186	125
3,411	4,930	–	–	–	–
39	7	200	175	–	–
3,530	5,015	2,917	2,224	8,336	6,811
–	–	580	1,239	2	40
–	–	–	–	–	(276)
–	–	580	1,239	2	(236)
–	–	1,409	946	44	130
–	–	–	–	–	–
–	–	975	549	–	150
–	–	(788)	(975)	–	–
–	–	(600)	(350)	–	–
–	–	1,576	1,409	46	44

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Statements of Cash Flows

YEARS ENDED DECEMBER 31, 2003 AND 2002

THOUSANDS OF DOLLARS

	COMBINED		DEBT FUND	
	2003	2002	2003	2002
OPERATING ACTIVITIES				
Excess (deficiency) of revenue over expenditure for the year	$ 66,175	78,972	65,593	77,969
Non-cash items:				
(Gain) Loss on disposals of investments	(2,929)	(5,608)	(2,956)	(4,503)
Accretion of discounts on investments	(31,221)	(28,674)	(29,736)	(27,623)
Amortization of issue costs	5,365	4,875	5,275	4,747
Accrual of investment income due to Clients	5,622	5,890	2,211	960
Depreciation on building	25	25	–	–
Write down on lease receivables	–	276	–	–
Changes in accrued interest and other receivables	(9,233)	949	(9,506)	358
Changes in accounts payable and accrued interest payable	(723)	(9,814)	103	(9,174)
Net cash provided by (applied to) operating activities	33,081	46,891	30,984	42,734
INVESTING ACTIVITIES				
Investments sold or matured	1,254,531	1,214,599	680,081	795,828
Investments purchased	(1,286,747)	(1,144,912)	(714,564)	(728,546)
Net cash provided by (applied to) investing activities	(32,216)	69,687	(34,483)	67,282
FINANCING ACTIVITIES				
New debt issued	492,554	405,133	492,554	405,133
Bank indebtedness (repaid)	17,519	(67,598)	–	–
Sewer and water grant contribution from Province of BC	295	40,731	295	40,731
Loan repayments from Clients	487,175	600,576	234,027	276,463
New loans to Clients	(760,485)	(636,667)	(490,089)	(380,292)
Debt retired	(331,647)	(227,576)	(331,647)	(227,576)
Issue costs	(2,166)	(4,960)	(2,166)	(4,960)
Loans from interim financing and leasing funds	23,663	(100,200)	23,688	(100,175)
Changes in interfund balances	–	–	4	(17)
Contributions from Clients for new loans	5,971	5,953	–	450
Contributions from Clients for investments under management	173,265	–	173,265	–
Contributions and earnings thereon refunded to Clients	(10,282)	(10,717)	–	–
Allocations of surplus payments to Clients	(83,715)	(113,322)	(83,715)	(113,322)
Allocations of sewer and water grant payments to Clients	(11,951)	(6,429)	(11,951)	(6,429)
Dividends paid	(600)	(350)	–	–
Net cash provided by (applied to) financing activities	(404)	(115,426)	4,265	(109,994)
Increase (decrease) in cash and cash equivalents	461	1,152	766	22
Cash and cash equivalents, beginning of the year	8,309	7,157	5,133	5,111
Cash and cash equivalents, end of the year	$ 8,770	8,309	5,899	5,133

Supplementary cash flow information (Note 13)

DEBT RESERVE FUND		OPERATING FUND		SHORT TERM DEBT FUND	
2003	2002	2003	2002	2003	2002
–	–	580	1,239	2	(236)
27	(1,105)	–	–	–	–
(1,485)	(1,051)	–	–	–	–
–	–	–	–	90	128
3,411	4,930	–	–	–	–
–	–	25	25	–	–
–	–	–	–	–	276
(181)	206	824	638	(370)	(253)
(1)	1	(993)	(528)	168	(113)
1,771	2,981	436	1,374	(110)	(198)
574,450	418,771	–	–	–	–
(572,183)	(416,366)	–	–	–	–
2,267	2,405	–	–	–	–
–	–	–	–	–	–
–	–	–	–	17,519	(67,598)
–	–	–	–	–	–
–	–	–	–	253,148	324,113
–	–	–	–	(270,396)	(256,375)
–	–	–	–	–	–
–	–	–	–	–	–
–	–	(25)	(25)	–	–
6	–	(10)	17	–	–
5,971	5,503	–	–	–	–
–	–	–	–	–	–
(10,262)	(10,717)	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	(600)	(350)	–	–
(4,305)	(5,214)	(635)	(358)	271	140
(267)	172	(199)	1,016	161	(58)
589	417	2,505	1,489	82	140
322	589	2,306	2,505	243	82

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2003 AND 2002

1. Significant Accounting Policies

a. Basis of presentation

The Municipal Finance Authority of British Columbia (the "Authority"), operates under the Municipal Finance Authority Act (the "Act") as the central borrowing agency for the financing of capital requirements of regional districts and their member municipalities, regional hospital districts and special purpose other municipal bodies (collectively the "Clients"). The Authority issues its own securities and lends the proceeds to its Clients on whose request the financing is undertaken. Obligations of the Authority are not obligations of the Province of British Columbia and are not guaranteed, directly or indirectly, by the Province. The Authority may annually impose rates not exceeding prescribed amounts on all taxable land and improvements in the Province to meet the annual operating budget. Additional rates will be levied if the trustees are of the opinion that debt payments may not be recovered within a reasonable time under loan agreements with its Clients.

The accompanying financial statements reflect the capital financing and general operations of the Authority. The maintenance of pooled investment funds are reported separately by the Authority.

The financial statements of the Authority have been prepared by management in accordance with Canadian generally accepted accounting principles. The Authority maintains its accounts according to the principles of fund accounting by which financial resources are segregated for specific activities or to attain certain objectives. Four funds are maintained within the Capital Financing activities.

A brief description of each of the Capital Financing Funds and their purpose is as follows:

OPERATING FUND

The Act provides for the establishment of an Operating Fund to meet the annual operating budget. In addition to the administration of the Capital Financing activities, the Operating Fund receives management fees from the Pooled Investment Funds and the Short Term Debt Fund and pays the cost of their operations.

DEBT FUND

The Authority's financing activities on behalf of its Clients are recorded within the Debt Fund. As well the Debt Fund is a repository for repayments from the Clients under their loan agreements in advance of the Authority's requirements on its related indebtedness.

DEBT RESERVE FUND

Under the Act, the Authority must establish a Debt Reserve Fund. Each Client sharing in the proceeds of a securities issue is required to pay into the Debt Reserve Fund an amount equal to one-half the average annual installment of principal and interest in respect of its own borrowing together with one-half the average annual installment of principal and interest as set out in the agreements entered into with the regional district by member municipalities, utilities and TransLink in respect of their borrowings; such amount is payable either in full or in an amount equal to 1% (2% for TransLink) of the principal amount borrowed with the balance secured by a non-interest bearing demand note.

If, at any time, the Authority does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions shall be made from the Debt Reserve Fund.

SHORT TERM DEBT FUND

In 1990 the Authority established a short term financing program to provide financing to local governments under section 9.1 of the Municipal Finance Authority Act. The Act was amended in 1992 to extend financing to other public institutions (as defined) in the Province of British Columbia.

The fund provides a revolving credit facility for its members under two programs:

i) Interim Financing Program – for tax revenue, interim funding requirements and temporary financing of capital projects.

ii) Leasing Program – for funding the short term leasing of capital assets.

These activities were previously reported separately as the "Interim Financing and Leasing Funds" and have been retroactively presented on a combined basis in the current year.

b. Surplus

The surplus balance of the Debt Fund represents undistributed earnings on investments. The undistributed earnings in excess of budgeted actuarial earnings are due to Clients once the debt is retired. The amount of surplus reallocated to Clients is disclosed in the statements of revenue, expenditure and surplus (see note 12).

The Authority may appropriate operating surpluses for future operating expenditures.

c) Revenue Recognition

The annual operating levy is recognized as revenue in the Operating Fund when the rates have been set by the Authority in March of each year. It is collected on behalf of the Authority by the municipalities in the Province and the Provincial Surveyor of Taxes and is payable to the Authority on August 1 each year.

d) Amortization of issue costs

Issue costs including discounts and premiums are amortized on a straight-line basis over the average lives of the securities issues to which they relate.

e) Foreign currency transactions

The loans receivable and long-term debt payable denominated in U.S. dollars are translated to Canadian dollars at rates in effect at the balance sheet date. Exchange gains and losses on translation are included in income.

f) Investments

The investment purchasing and trading policy of the Authority is to match the maturity of its investments with the applicable obligation dates of its debt.

Securities purchased with the intention of holding to maturity or until market conditions, such as a change in interest rates, provide a better investment opportunity are recorded at cost, adjusted for amortization of premiums and accretion of discounts on an effective yield basis. Any gains and losses on the disposal of investment securities are recorded in the Statements of Revenue, Expenditure and Surplus in the year of disposal.

Securities may be purchased for investment return and may be either shorter or longer term. Such securities are also recorded at cost, adjusted for amortization of premiums and accretion of discounts on an effective yield basis. When the market value of trading securities declines below carrying value and such decline in value is considered other than temporary, these securities are written down to market. Write-downs to market and any gains and losses on the sale of these securities are recorded in the Statements of Revenue, Expenditure and Surplus in the year they occur.

g) Capital assets

Capital assets are stated at cost. Amortization of the building is provided on a straight-line basis over 40 years.

h) Financial Instruments

The Authority will enter into certain derivative financial instruments upon request of individual Clients, principally interest rate swap contracts, in consideration of the re-financing risk regarding exposure to future interest rate fluctuations. The financial impact of these contracts are not recognized in the financial statements on inception but are recognized at execution date of the contracts (i.e. the refinancing date) as adjustments to Clients' future re-lending rate. These adjustments to the re-lending rate become the responsibility of the individual Client involved in the interest rate swap contract.

In November 2001, the CICA issued Accounting Guideline 13 ("AcG 13") "Hedging Relationships," which will be effective for years beginning on or after July 1, 2003. AcG 13 addresses the identification, designation, documentation, and effectiveness of hedging transactions for the purpose of applying hedging accounting. It also deals with accounting for the discontinuance of hedge relationships.

In April 2003, the CICA approved certain revisions to AcG 13. Under the new guideline, the Authority will be required to document its hedging transactions and explicitly demonstrate that hedges are sufficiently effective in order to continue accrual accounting for positions hedged with derivatives. The effect on net earnings of adopting this guideline will be immaterial.

i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of the financial statements include the assumption of a 5% expected earnings rate on sinking funds, which makes up a portion of the asset "Loans to Clients." (See note 2.)

j) Comparative figures

Certain 2002 comparative figures have been reclassified to conform with the financial statement presentation for the current year.

2. Loans to Clients

Under the Act, each Client sharing in the proceeds of a securities issue must pay over to the Authority such sums as are required to discharge its obligations to the Authority in respect to such securities issue. If the scheduled payments provided for under the loan agreement are not sufficient to meet the Authority's obligations in respect of that securities issue, the deficiency is a liability of the Client to the Authority.

The aggregate principal payments recoverable from Clients in each of the next five years (excluding principal payments suspended as outlined below) are as follows:

THOUSANDS OF DOLLARS	2003	2002
2003	$	164,139
2004	**161,523**	149,435
2005	**158,958**	146,871
2006	**166,808**	143,430
2007	**164,352**	140,436
2008	**153,593**	

When the Authority, under Section 12 of the Act and with the approval of the Inspector of Municipalities, has determined that the amount of the assets in the sinking fund together with the anticipated earnings for that fund is greater than the amount that will be required to repay the debt or discharge the obligation and has declared that there is an anticipated surplus in the fund of a specified amount, the scheduled future payments of both principal and interest from the Clients under the related loan agreements are suspended.

Loans to Clients include $4,218,681 (2002-$6,406,914), which are denominated in U.S. dollars. The difference between loans receivable of U.S. $4,218,681 (2002-$6,406,914) and loans payable in U.S. dollars of NIL (2002-$456,000) results from various refinancing of U.S. denominated debt into Canadian dollars. The loans to Clients under these refinancing have remained in U.S. dollars.

For financial statement presentation, both the loans receivable from the Clients in U.S. dollars, and the U.S. denominated debt have been converted to Canadian Dollars at rates in effect at the balance sheet date.

3. Short term loans to Clients

The short term loans receivable represent loans for the following purposes:

THOUSANDS OF DOLLARS	2003	2002
INTERIM FINANCING PROGRAM		
Temporary financing of capital projects	$ **47,238**	47,778
Short term capital borrowing	**15,869**	24,021
	63,107	71,799
Loans held by Authority for refinancing	**86,889**	59,999
	149,996	131,798
LEASING PROGRAM		
Short term leases of capital equipment	**62,760**	63,710
Total short term loans	**212,756**	195,508
Less loans held by Authority	**(86,889)**	(59,999)
Combined total	$ **125,867**	135,509

The Authority's Clients can choose loan terms from 5 to 30 years. Since most debt issued is 10 years in term, the debt issues must be refinanced either through a new debenture issuance or through the Authority's own Interim Financing Program. Taking economic, market and sinking fund positions into account, the decision on which refinancing tool to use is made.

4. Investments

Investments consist of securities of:

THOUSANDS OF DOLLARS	Par Value	2003 Book Value	2002 Book Value
DEBT FUND			
Government of Canada, direct or guaranteed	$ 97,957	75,209	180,390
Provincial governments, direct or guaranteed	631,364	472,303	448,799
Chartered banks, direct or guaranteed	450,018	428,312	429,131
Regional and municipal governments	5,383	5,611	2,892
	1,184,722	981,435	1,061,212
The Authority	5,562	5,618	12,255
	1,190,284	987,053	1,073,467
DEBT RESERVE FUND			
Government of Canada, direct or guaranteed	15,889	16,216	11,946
Provincial governments, direct or guaranteed	45,233	28,476	27,301
Chartered banks, direct or guaranteed	31,249	31,116	33,144
Credit Unions in the Province	3,100	3,100	3,326
Regional and municipal governments	–	–	4,001
	95,471	78,908	79,718
Total, all funds	1,285,755	1,065,961	1,153,185
Less investments held by the Authority	(5,562)	(5,618)	(12,255)
Combined Total	$ 1,280,193	1,060,343	1,140,930

The Authority may invest monies in its own securities maturing not later than the securities for which the sinking fund account was created.

Investments in Municipal Finance Authority of B.C. debentures have been offset against the related debt in the combined statements (see "Debt Fund – Schedule of Long–Term Debt", F22.)

5. Investments under management

The Authority manages investments for the Greater Vancouver Water District, which consist of the following:

THOUSANDS OF DOLLARS	Par Value	2003 Book Value	2002 Book Value
SECURITIES			
Government of Canada, direct or guaranteed	$ 155,600	158,556	–
Provincial governments, direct or guaranteed	10,000	10,050	–
	165,600	168,606	–
The Authority	4,350	4,360	–
	$ 169,950	172,966	–
Cash		23	–
Accrued interest and other		1,726	–
Total Assets		$ 174,715	–

6. Investments in sinking funds

In November 2003 the only remaining Sinking Fund debt issue, originally launched in 1978, matured. In 2002, the total assets on hand of $18,866,000 were sufficient to satisfy the debt of $3,265,000 and the $15,601,000 (excess of related debt) was returned in November 2003 as an allocation to Clients.

7. Capital assets

Capital assets represent the net book value of the land and building out of which the Authority operates. The land and building, purchased at an original cost of $998,000 is reflected in the Operating Fund net of accumulated amortization on the building of $168,000 (2002 – $144,000).

8. Long-term debt

The aggregate long-term debt maturities and sinking fund requirements in each of the next five years are as follows (including provision for early calls by the Authority and redemptions at the option of the bondholder):

THOUSANDS OF DOLLARS	2003	2002
2003	$ –	302,451
2004	204,041	198,041
2005	452,308	446,308
2006	274,691	283,391
2007	297,052	279,752
2008	382,247	

Since the terms of maturities of certain of the Authority's securities issues and the requested loan term by its Clients do not coincide, refinancing of a portion of such securities issues will be required in future years. Refinancings over the next five years and the average interest rates on the refinanced amounts, are as follows:

THOUSANDS OF DOLLARS	Refinancing	Existing Interest Rate %
2004	63,000	6.92
2005	148,600	8.04
2006	45,300	7.96
2007	76,100	6.22
2008	114,000	5.50

9. Bank and short term indebtedness

Indebtedness consists of the following:

THOUSANDS OF DOLLARS	2003	2002
Interim Financing program		
Revolving line of credit	$ 23,947	132,197
Commercial paper	125,889	–
Leasing program		
Revolving line of credit	63,590	63,710
Combined indebtedness	$ 213,426	195,907

The Authority has an agreement under which the bank provides a revolving credit facility of up to $300,000,000 subject to repayment within 30 days following demand by the bank.

The commercial paper facility allows for the issuance of paper in the name of the Authority up to 365 days in duration and requires a fully backed standby line of credit from one or more Chartered Banks.

10. Due to Clients

Included in amounts Due to Clients is $256,635,000 (2002 – $253,006,000) which will be repaid to Clients when they have made the final payment under their respective loan agreements. However, where a municipality has discharged its obligation to a regional district with respect to a securities issue, the Authority may repay to the regional district for the credit of the municipality a portion of the money which is an obligation to the regional district and the money so paid shall be applied to reduce that obligation.

If, at any time, the Authority does not have sufficient funds to meet payments or sinking fund contributions due on its obligations, the payments or sinking fund contributions must be made from the Debt Reserve Fund.

If the Trustees of the Authority are of the opinion that the payments made from the Debt Reserve Fund may not be recovered under the terms of the loan agreements within a reasonable time, they may levy or impose upon substantially all taxable land and improvements in the Province rates sufficient to maintain the Debt Reserve Fund at a level not exceeding the amount which would have been in the fund had no such payments been made. Further, the Board of Trustees must impose such rates when the balance in the fund is less than fifty percent of the amount that would have been in the fund had no such payments been made.

Included in amounts due to Clients are sewer and water facilities assistant grant monies payable to regional districts and municipalities. Prior to March 2002 certain regional districts and municipalities with sewer and/or water facility loans outstanding would receive semi-annual grant funding from the Province of British Columbia to offset a portion of annual debt servicing costs incurred. In March 2002 the Authority received a lump sum payment of $40,731,000 and a final payment of $295,000 in April 2003 from the Province for future application towards these loans outstanding. The Authority is responsible to distribute these payments to Clients on a semi annual basis as related principal and interest payments are received from Clients.

The Authority has estimated that total distributions of these funds out to the expiry dates of the applicable sewer and/or water loans to be $25,768,000 (2002 – $37,246,000). The estimated payments over the next 5 year are as follows:

THOUSANDS OF DOLLARS	2003	2002
2003	$	11,770
2004	7,768	7,732
2005	6,153	6,117
2006	4,996	4,960
2007	2,744	2,708
2008	1,180	1,180
Thereafter	2,927	2,779

As at year end the Authority has recognized a liability with a present value of $24,804,000 (2002 – $35,701,000) and has invested the corresponding funds in securities to mature at the required value of $25,768,000 (2002 – $37,246,000).

11. Accounts payable and accrued interest payable

Accounts payable and accrued interest payable includes the difference between the unscheduled early payout (present valued) by various Clients and the book value of their liabilities to the Authority. These early payments by Clients are based on the cost to the Authority of purchasing investments that will exactly match the principal and interest payments the Client would have otherwise made (based on the present value of the yield curve at the time of the early payment).

12. Allocations to Clients

This amount is the total of surpluses earned (excess earnings) by the investments relating to specific debentures issues that have matured and were distributed back to the Clients for which the financing was undertaken. Accruals of investment income due to Clients which applies to the Debt Reserve Fund and the Sewer and Water grant monies in the Debt Fund are shown separately. During the year, the following surplus was allocated:

THOUSANDS OF DOLLARS	2003	2002
Cash surplus repayments	$ 35,924	$24,967
Future invoice payments forgiven	47,791	88,355
	$ 83,715	113,322

13. Supplemental cash flow information

During the year the Authority received cash payments of $255,653,471 (2002 – $262,747,315) as interest payments from its Clients and $53,853,297 (2002 – $65,638,713) as interest on investments.

During the year the Authority made payments of $242,309,089 (2002 – $242,496,464) as interest payments to bondholders and $3,707,093 (2002 – $3,975,561) as interest payments on loans held by the Interim Financing program.

The amounts shown on the Statements of Revenue, Expenditure and Surplus are recorded on an accrual basis and may differ from the information presented above on a cash basis.

14. Financial instruments – interest rate risk

Upon maturity of certain debt issues the Authority may refinance any remaining loans receivable balances associated with those debt issues through the Authority's Interim Financing program's revolving credit facility. As at December 31, 2003 the authority had $86,889,036 (2002 – $59,999,177) of these loans outstanding subject to floating interest rates. As at December 31, 2003 this floating rate was 3.175% (2002 – 3.225%) while the related relending of these funds to its Clients ranged from 5.50% to 6.50% (2002 – 5.37% to 6.50%). During the year interest in the amount of $1,637,264 (2002- $1,546,857) was paid to the Interim Financing program on these loans.

15. Financial instruments – derivatives

The Authority has entered into certain financial agreements to hedge investment yields with third party financial institutions whereby the Authority will make periodic principal payments in exchange for certain future cash repayments. As at December 31, 2003 the future value of these contracts, due to the Authority, is $388,778,332 (2002 – $390,659,426) while related principal payments by the Authority towards those agreements is $170,228,192 (2002 – $141,606,416).

16. Financial instruments – fair value

The carrying values of accrued interest and other receivables, short term loans to Clients, accounts payable and accrued interest payable and bank and short term indebtedness approximate their fair value due to the relatively short periods to maturity of the instruments.

The fair market values of other financial assets and liabilities included in the combined balance sheet at carrying amount are as follows:

	2003		2002	
THOUSANDS OF DOLLARS	Carrying Amount	Fair Market Value	Carrying Amount	Fair Market Value
Investments				
Debt Fund	$ 987,053	1,022,242	1,073,467	1,128,711
Debt Reserve Fund	78,908	79,731	79,718	80,555
Sinking Funds	–	–	17,977	18,864
Under management	174,715	172,419	–	–
Loans to Clients	$ 3,190,709	3,402,606	2,935,516	3,140,127
Short term loans to Clients	125,867	125,867	135,509	135,509
Long Term Debt	$ 3,753,875	4,041,936	3,593,232	3,893,067
Due to Clients				
Investments under management	$ 174,715	172,419	–	–

Fair values were estimated as follows:

- Investments – based on quoted market values.
- Long-term debt – prices based on yield to maturity on first call date using appropriate spreads over Canada Bonds as a benchmark.
- Loans to Clients – values estimated using prices equivalent to the related long-term debt for each issue.

17. Contingent liability

In 2003, the Authority terminated its contract with its Leasing Service provider. As at year end the two parties were still evaluating proposals to amicably end the relationship. Acceptance of the proposals has not been concluded as at the financial statement printing date. The Authority expects no additional future costs or provisions in the resolution of the termination arrangements.

Debt Fund – Schedule of Long-Term Debt

DECEMBER 31, 2003 AND 2002

THOUSANDS OF DOLLARS

ISSUE/SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT
PAYABLE IN CANADIAN DOLLARS:				
A23	1978	November 15, 2003	10.000	3,265
33	1983	June 15, 2003	12.375	63,300
40/CC	1986	October 23, 2003	10.125	26,000
50/CL	1991	May 8, 2006	10.250	46,000
54/CO	1993	January 12, 2003	8.300	57,300
55	1993	May 12, 2003	8.000	15,000
55CP	1993	May 12, 2013	8.750	50,000
56/EC	1993	November 19, 2003	7.250	98,000
58/ED	1994	May 10, 2004	8.500	91,000
60/CQ	1995	April 12, 2005	8.500	47,000
61/CR	1995	December 1, 2005	7.750	350,000
62	1995	December 1, 2005	6.200	134
64/CS	1996/2001	September 25, 2006	7.250	121,000
65/CT	1997	April 24, 2007	6.750	125,000
66/CU	1997	November 5, 2004 - 2006	5.000 - 5.625	75,000
66/CU	1997	November 5, 2007	5.625	60,000
68	1998	March 24, 2004 - 2007	5.250 - 5.500	86,642
68/CV	1998	March 24, 2008	5.500	336,000
70/CW	1999/2000	June 1, 2009	5.250	646,000
74/CX	2001	June 1, 2011	5.900	491,800
76/CY	2001	November 8, 2004	3.390	19,500
77	2002	June 1, 2004 - 2007	3.500 - 5.625	35,000
78CZ	2002/2003	December 3, 2012	5.250	340,000
80	2003	October 3, 2004 - 2012	2.700 - 4.850	130,700
80CC	2003	December 3, 2013	4.900	228,300
800	1999	September 1, 2004	4.750	122
801	2001	September 1, 2006	5.410	73
802	2002	February 16, 2007	4.630	60
			Carried Forward	3,542,196

OUTSTANDING	SINKING FUNDS	2003 LONG-TERM DEBT, NET	2002 LONG-TERM DEBT, NET	REFERENCES
PAYABLE IN CANADIAN DOLLARS:				
–	–	–	–	(1)
–	–	–	9,970	(1)
–	–	–	26,000	(2)
45,980	–	45,980	45,980	(3)
–	–	–	57,300	(3)
–	–	–	2,000	(3)
50,000	–	50,000	50,000	(3)
–	–	–	98,000	(3)
91,000	–	91,000	91,000	(3)
45,020	–	45,020	45,020	(3)
350,000	–	350,000	350,000	(3)
14	–	14	14	(4)
121,000	–	121,000	121,000	(3)
125,000	–	125,000	125,000	(3)
28,809	–	28,809	37,456	(3)
60,000	–	60,000	60,000	(3)
47,819	–	47,819	58,281	(3)
336,000	–	336,000	336,000	(3)
646,000	–	646,000	646,000	(3)
491,800	–	491,800	491,800	(3)
19,500	–	19,500	19,500	(3)
28,000	–	28,000	35,000	(3)
340,000	–	340,000	210,000	(3)
130,700	–	130,700	–	(3)
228,300	–	228,300	–	(3)
122	–	122	122	(5)
73	–	73	73	(6)
60	–	60	60	(7)
3,185,197	–	3,185,197	2,915,576	

CONTINUED ON NEXT PAGE

Debt Fund – Schedule of Long-Term Debt (continued)

DECEMBER 31, 2003 AND 2002

THOUSANDS OF DOLLARS

ISSUE/SERIES	YEAR OF ISSUE	MATURITY DATE	INTEREST RATE PERCENT	ORIGINAL AMOUNT
			Brought Forward	$ 3,542,196
PAYABLE IN CANADIAN DOLLARS:		**PAYABLE IN CANADIAN DOLLARS:**		
505 to 628	1999	March 1, 2004 - November 30, 2015	5.2500 - 17.510	297,929
702 to 715	1999	September 21, 2005 - July 21, 2010	5.7410 - 9.610	418,830
903	1996	January 9, 2012	9.500	33,000
906	1996	June 16, 2003	7.750	10,000
908	1996	December 22, 2003	7.000	10,000
909	1996	February 3, 2004	6.500	5,000
912	1996	January 9, 2012	9.500	24,000
915	1996	June 16, 2003	7.750	5,000
917	1996	December 22, 2003	7.000	10,000
918	1996	February 3, 2004	6.500	5,000
919	1996	February 3, 2004	6.500	20,000
920	1996	June 21, 2004	9.000	8,000
922	1996	August 16, 2004	9.125	5,000
		Payable in Canadian Dollars:		4,393,955
PAYABLE IN CANADIAN DOLLARS - ISSUED THROUGH FEDERATION OF CANADIAN MUNICIPALITIES:				
1	2003	March 14, 2010	3.490	1,455
2	2003	March 31, 2013	3.710	2,100
		Payable in Canadian Dollars:		3,555
PAYABLE IN UNITED STATES DOLLARS:				
22	1978	June 1, 2003	9.375	4,737
				$ 4,402,247
Add: Foreign Exchange on conversion of U.S. debt to Canadian dollars				
Total per Debt Fund				
Less amounts held as investments by the Authority				
Net debt due to bondholders				

OUTSTANDING	SINKING FUNDS	2003 LONG–TERM DEBT, NET	2002 LONG-TERM DEBT, NET	REFERENCES
3,185,197	–	3,185,197	2,915,576	
227,735	–	227,735	247,869	(3) (8)
237,388	–	237,388	290,802	(3) (9)
33,000	–	33,000	33,000	(3) (10)
–	–	–	10,000	(3) (10)
–	–	–	10,000	(3) (10)
5,000	–	5,000	5,000	(3) (10)
24,000	–	24,000	24,000	(3) (10)
–	–	–	5,000	(3) (10)
–	–	–	10,000	(3) (10)
5,000	–	5,000	5,000	(3) (10)
20,000	–	20,000	20,000	(3) (10)
8,000	–	8,000	8,000	(3) (10)
5,000	–	5,000	5,000	(3) (10)
3,750,320	–	3,750,320	3,589,247	
1,455	–	1,455	–	(3)
2,100	–	2,100	–	(3)
3,555	–	3,555	–	
–	–	–	456	(3)
3,753,875	–	3,753,875	3,589,703	
–	–	–	264	
3,753,875		3,753,875	3,589,967	
5,618				
3,748,257				

Debt Fund – References to Schedule of Long-Term Debt

DECEMBER 31, 2003

1 Non-callable except for sinking fund purposes.

2 Called on October 23, 2003.

3 Non-callable prior to maturity.

4 Five-year Community bonds at 6.20% due December 1, 2005.

5 Five-year Community bonds at 4.750% due September 1, 2004.

6 Five-year Community bonds at 5.410% due September 1, 2006.

7 Five-year Community bonds at 4.630% due February 16, 2007.

8 Debt issues, relating to the Regional Hospital Districts, transferred from Province of British Columbia, to MFA under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province. Debt comprised of 97 debenture issues averaging $2.555 million each. Individual issue detail is not shown.

9 Debt issues, relating to TransLink, transferred from Province of British Columbia, to MFA under a defeasance agreement dated March 31, 1999. The debt outstanding remains in the name of the Province. Debt comprised of 10 debenture issues averaging $29.080 million each. Individual issue detail is not shown.

10 Debenture issues transferred from Province of British Columbia, to MFA on April 1, 1996. The debt outstanding remains in the name of the Province.

Capital Financing

Schedule of Loans to Clients 2003

UNAUDITED – OUTSTANDING AT DECEMBER 31, 2003

THOUSANDS OF DOLLARS (EXCEPT PER CAPITA)

	PRINCIPAL OUTSTANDING DEC. 31, 2002	2003 NEW LOANS ISSUED	2003 PRINCIPAL REPAID	PRINCIPAL OUTSTANDING DEC. 31, 2003	PER CAPITA
REGIONAL DISTRICTS					
Alberni-Clayoquot	$ 22,558	678	929	**22,307**	664
Bulkley-Nechako	7,161	600	918	**6,843**	150
Capital	288,142	55,475	22,867	**320,750**	953
Cariboo	41,214	3,555	5,072	**39,697**	539
Central Coast	363	–	9	**354**	81
Central Kootenay	29,078	1,225	2,138	**28,165**	454
Central Okanagan	129,343	1,999	7,307	**124,035**	801
Columbia Shuswap	28,589	4,028	2,580	**30,037**	560
Comox-Strathcona	96,812	12,051	6,694	**102,169**	962
Cowichan Valley	25,692	2,300	1,316	**26,676**	344
East Kootenay	36,793	6,307	4,597	**38,503**	605
Fraser-Fort George	71,133	8,899	7,044	**72,988**	682
Fraser Valley	100,802	12,421	8,397	**104,826**	429
Greater Vancouver	787,107	228,025	55,824	**959,308**	473
Kitimat-Stikine	18,954	–	1,189	**17,765**	378
Kootenay Boundary	17,750	4,377	2,291	**19,836**	587
Mount Waddington	6,225	–	1,208	**5,017**	331
Nanaimo	54,864	1,355	3,205	**53,014**	387
North Okanagan	83,301	2,732	5,345	**80,688**	1,030
Northern Rockies	5,370	–	278	**5,092**	781
Okanagan-Similkameen	38,727	852	3,108	**36,471**	452
Peace River	40,975	2,655	5,067	**38,563**	633
Powell River	15,219	–	869	**14,350**	637
Skeena–Queen Charlotte	10,829	–	1,547	**9,282**	335
Squamish-Lillooet	26,870	1,163	2,010	**26,023**	701
Sunshine Coast	14,734	–	1,207	**13,527**	432
Thompson-Nicola	46,827	12,708	5,473	**54,062**	412
OTHER					
District of Campbell River	987	–	35	**952**	33
Greater Nanaimo Water District	5,834	–	1,254	**4,580**	33
E-COMM	133,955	7,684	484	**141,155**	61
CREST	–	9,000	–	**9,000**	27
Translink	746,962	110,000	73,765	**783,197**	386
	2,933,170	490,089	234,027	**3,189,232**	778
Foreign Exchange	2,346			**1,477**	
	$ 2,935,516			**3,190,709**	778

Ten Year Review – Combined Funds

THOUSANDS OF DOLLARS

	2003	2002	2001
ASSETS			
Loans to Clients	$ 3,190,709	2,935,516	2,832,474
Short Term Loans to Clients	125,687	135,509	103,348
Investments, net of holdings of the Authority	1,060,343	1,140,930	1,139,714
Investments under managment	174,715	–	–
Investments in sinking funds	–	3,265	10,265
Sinking fund assets in excess of related debt	–	15,601	26,780
Accrued interest and other receivables	90,371	78,811	79,075
Demand notes receivable from Clients, without interest	177,044	172,508	177,403
Unamortized issue costs	32,986	35,749	35,721
Cash and cash equivalents	8,770	8,309	7,157
Capital assets	830	854	879
Total assets	$ 4,861,635	4,527,052	4,412,816
LIABILITIES, EQUITY AND SURPLUS			
Long-term debt	$ 3,748,257	3,580,977	3,385,891
Bank and short term Indebtedness	213,426	195,907	263,505
Due to Clients	281,439	288,707	258,185
Due to Clients - Investments under management	174,715	–	–
Accounts payable and accrued interest payable	45,825	44,324	53,374
Due to Forest Renewal BC	–	–	–
Total liabilities	4,462,662	4,109,915	3,960,955
Equity in capital assets	830	854	879
Appropriated surplus	788	975	699
Surplus	397,355	415,308	450,283
Total liabilities, equity and surplus	$ 4,861,635	4,527,052	4,412,816
REVENUE			
Interest from loans to Clients	258,180	255,427	252,663
Investment income	70,504	75,631	89,121
Management fees	673	929	702
Recoveries from new issues	429	429	429
Operating levy	108	103	101
Total revenue	329,894	332,519	343,016
EXPENDITURE			
Interest on long-term debt	243,145	233,717	236,510
Interest on bank and short term Indebtedness	7,869	6,485	8,617
Amortization of issue costs	5,365	4,875	5,180
Administrative	2,908	2,122	1,614
Debt management and marketing	239	182	219
Accrual of investment income due to Clients	4,193	5,890	5,410
Total expenditure	263,719	253,271	257,550
Excess of revenue over expenditure for the year	66,175	78,972	85,466
Surplus at beginning of the year	415,308	450,284	481,021
Surplus on debt issues from Province	–	–	–
Allocations to Clients	(83,715)	(113,322)	(115,155)
Application of appropriated surplus	975	699	–
Appropriation of surplus	(788)	(975)	(699)
Dividends paid	(600)	(350)	(350)
Surplus at end of the year	$ 397,355	415,308	450,284

2000	1999	1998	1997	1996	1995	1994
2,714,849	2,702,045	1,988,013	1,758,368	1,721,135	1,406,167	1,260,772
71,950	55,676	35,013	30,872	29,220	8,205	7,001
1,059,689	990,838	652,219	580,138	540,349	419,491	357,620
–	–	–	–	–	–	–
10,265	27,802	51,231	83,895	146,143	141,622	142,179
25,727	24,587	23,582	22,624	35,185	32,196	30,032
94,248	74,143	44,714	34,964	38,098	30,855	26,303
180,353	185,938	152,502	139,036	135,991	114,963	107,706
42,863	29,506	15,774	19,779	19,541	26,065	11,192
7,235	14,450	12,540	3,975	8,635	6,219	10,605
904	929	954	979	997	–	–
4,208,083	4,105,914	2,976,542	2,674,630	2,675,294	2,185,783	1,953,410
3,235,022	3,123,290	2,206,060	1,947,612	1,920,404	1,527,529	1,350,538
147,432	129,663	71,461	52,428	30,738	13,942	9,776
270,062	280,862	232,818	218,275	214,877	189,610	180,064
–	–	–	–	–	–	–
63,560	67,494	41,234	36,977	38,192	33,578	29,402
10,082	10,118	10,142	–	–	–	–
3,726,158	3,611,427	2,561,715	2,255,292	2,204,211	1,764,659	1,569,780
904	929	486	357	250	–	–
–	–	–	–	–	–	–
481,021	493,558	414,341	418,981	470,833	421,124	383,630
4,208,083	4,105,914	2,976,542	2,674,630	2,675,294	2,185,783	1,953,410
260,670	245,618	188,690	184,719	190,795	178,072	138,690
69,317	61,383	56,596	79,605	73,577	52,641	48,906
525	675	720	710	726	2,072	2,981
429	434	255	255	255	110	150
100	101	101	101	105	103	105
331,041	308,211	246,362	265,390	265,458	232,998	190,832
247,367	256,376	187,713	187,507	185,875	147,075	134,683
8,858	5,584	3,208	1,470	1,127	1,196	609
7,832	5,593	5,037	4,688	7,638	3,945	3,662
1,490	1,392	1,336	1,269	1,082	957	954
267	372	186	176	227	135	159
3,404	3,119	7,644	5,368	11,299	8,248	5,451
269,218	272,436	205,124	200,478	207,248	161,556	145,518
61,823	35,775	41,238	64,912	58,210	71,442	45,314
493,558	414,341	418,981	470,833	421,124	383,630	356,316
–	63,814	–	–	20,213	–	–
(74,110)	(19,604)	(45,499)	(116,407)	(28,214)	(33,698)	(17,750)
–	–	–	–	–	–	–
–	(518)	(129)	(107)	(250)	–	–
(250)	(250)	(250)	(250)	(250)	(250)	(250)
481,021	493,558	414,341	418,981	470,833	421,124	383,630

Bond Issues

Canadian Dollar Bonds Issued in Canada

ISSUE/SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2003 $(000)	INTEREST
50/CL	10.25% Debentures due May 8, 2006	May 8, 1991	46,000	45,980	Semi-annual May 8 November 8
55/CP	8.750% Debentures due May 12, 2013	May 12, 1993	50,000	50,000	Semi-annual May 12 November 12
60/CQ	8.500% Debentures due April 12, 2005	April 12, 1995	47,000	45,020	Semi-annual April 12 October 12
61/CR	7.750% Debentures due December 1, 2005	December 1, 1995	350,000	350,000	Semi-annual June 1 December 1
62	6.20% Debentures due December 1, 2005	December 1, 1995	134	14	Semi-annual June 1 December 1
64/CS	7.25% Debentures due September 25, 2006	September 25, 1996 / 2001	121,000	121,000	Semi-annual March 25 September 25
65/CT	6.75% Debentures due April 24, 2007	April 24, 1997	125,000	125,000	Semi-annual October 24 April 24
66/CU	5.250 – 5.625% Serial Debentures due November 5, 2004 – 2006	November 5, 1997	75,000	28,809	Semi-annual May 5 November 5
	5.625% Debentures due November 5, 2007	November 5, 1997	60,000	60,000	Semi-annual May 5 November 5
68/CV	5.250 – 5.500% Serial Debentures due March 24, 2004 – 2007	March 24, 1998	86,642	47,819	Semi-annual March 24 September 24
	5.500% Debentures due March 24, 2008	March 24, 1998	336,000	336,000	Semi-annual March 24 September 24
70/CW	5.25% Debentures due June 1, 2009	March 24, 1999	646,000	646,000	Semi-annual June 1 December 1
74/CX	5.90% Debentures due June 1, 2011	April 4, 2001	491,800	491,800	Semi-annual June 1 December 1
76/CY	3.39% Debentures due November 8, 2004	November 8, 2002	19,500	19,500	Annual November 8

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	2004 – 9,101 2005 – 9,590 2006 – 10,118	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	2004 – 11,024 2005 – 11,616 2006 – 12,253 2007 – 12,926	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company

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Bond Issues (continued)

Canadian Dollar Bonds Issued in Canada (continued)

ISSUE/SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2003 $(000)	INTEREST
77	4.625 – 5.625% Serial Debentures due June 1, 2004 – 2007	April 9, 2002	35,000	28,000	Semi-annual June 1 December 1
78CZ	5.25% Debentures due December 3, 2012	October 3, 2002	340,000	340,000	Semi-annual June 3 December 3
80CV	2.700 – 4.850% Serial Debentures due October 3, 2004 – 2012	October 3, 2003	130,700	130,700	Semi-annual April 3 October 3
	4.900% Debentures due December 3, 2013	December 3, 2003	228,300	228,300	Semi-annual June 3 December 3
800	4.750% Debentures due September 1, 2004	September 1, 1999	122	122	Annual September 1
801	5.410% Debentures due September 1, 2006	September 1, 2001	73	73	Annual September 1
802	4.630% Debentures due February 16, 2007	February 16, 2002	60	60	Annual February 16

Canadian Dollar Bonds Issued in Europe

ISSUE/SERIES	DESCRIPTION	DATED	AUTHORIZED $(000)	OUTSTANDING DECEMBER 31, 2003 $(000)	INTEREST
58/ED	8.500% Bonds due May 10, 2004	May 10, 1994	91,000	91,000	Annual May 10

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Registered at CDS. Book entry only.	Non-callable	2004 – 7,000 2005 – 7,000 2006 – 7,000 2007 – 7,000	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	2004 – 6,000 2005 – 6,000 2006 – 17,300 2007 – 17,300 2008 – 17,300	N/A	CIBC Mellon Trust Company
Registered at CDS. Book entry only.	Non-callable	None	N/A	
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company
Fully registered $1,000 and multiples thereof	Non-callable	None	N/A	CIBC Mellon Trust Company

CIBC Mellon Trust Company
1600 – 1066 West Hastings St.
Vancouver, BC V6E 3X1

320 Bay St.
Toronto, ON M5H 4A6

DENOMINATIONS	CALL	SINKING FUND OR MATURITIES NEXT 5 YEARS $(000)	RETRACTION OR EXTENSION	REGISTRAR AND TRANSFER AGENT
Coupon – $1,000 Coupon – $10,000	Non-callable	None	N/A	RBC Dominion Securities London, England Luxembourg Stock Exchange Luxembourg

Auditors' Report

To the Unitholders of the Municipal Finance Authority of British Columbia Pooled Investment Funds

We have audited the statements of net assets of the Money Market Fund, the Intermediate Fund and the Bond Fund of the Municipal Finance Authority of British Columbia (the "Authority") as at December 31, 2003 and 2002, and the statements of operations and unitholders' equity and changes in net assets of each of these Funds for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of these Funds of the Authority as at December 31, 2003 and 2002, and the results of their operations and the changes in their net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Victoria, British Columbia, Canada
February 6, 2004

Statements of Net Assets

DECEMBER 31, 2003 AND 2002

THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
ASSETS								
Cash	$ **15**	12	**45**	19	**19**	20	**79**	51
Unitholder receivable	**–**	1,073	**–**	494	**95**	3,012	**95**	4,579
Investments (Schedules 1, 2 and 3)	**817,884**	834,938	**117,667**	104,801	**169,433**	201,969	**1,104,984**	1,141,708
	817,899	836,023	**117,712**	105,314	**169,547**	205,001	**1,105,158**	1,146,338
LIABILITIES								
Accrued management fees	**110**	110	**19**	18	**29**	33	**158**	143
Payable for Investment purchase	**–**	–	**–**	–	**400**	3,461	**400**	3,461
Unitholder payable	**1,450**	4,366	**–**	–	**–**	–	**1,450**	4,384
	1,560	4,476	**19**	18	**429**	3,494	**2,008**	7,988
NET ASSETS AND UNITHOLDERS' EQUITY	$ **816,339**	831,547	**117,693**	105,296	**169,118**	201,507	**1,103,150**	1,138,350

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

SECRETARY-TREASURER

Statements of Operations and Unitholders' Equity

YEARS ENDED DECEMBER 31, 2003 AND 2002

THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
INVESTMENT INCOME								
Interest income	$ **24,480**	20,827	**3,459**	5,720	**7,016**	5,978	**34,955**	32,525
Less management fees	**1,238**	1,168	**221**	266	**367**	332	**1,826**	1,766
	23,242	19,659	**3,238**	5,454	**6,649**	5,646	**33,129**	30,759
GAIN (LOSS) ON INVESTMENTS								
Net realized gain (loss)	**(3)**	(31)	**382**	(2,681)	**(394)**	1,246	**(15)**	(1,466)
Net unrealized gain	**55**	36	**22**	400	**1,248**	2,657	**1,325**	3,093
Net gain (loss) on investments	**52**	5	**404**	(2,281)	**854**	3,903	**1,310**	1,627
NET EARNINGS DISTRIBUTED	$ **23,294**	19,664	**3,642**	3,173	**7,503**	9,549	**34,439**	32,386
NET ASSETS AND UNITHOLDERS' EQUITY								
Units outstanding, beginning of the year	$ **831,547**	679,926	**105,296**	167,120	**201,507**	171,985	**1,138,350**	1,019,031
Units subscribed	**1,357,752**	1,588,028	**49,001**	74,263	**49,145**	89,457	**1,455,898**	1,751,748
Distributions reinvested	**23,294**	19,664	**3,642**	3,173	**7,503**	9,549	**34,439**	32,386
Units redeemed	**(1,396,254)**	(1,456,071)	**(40,246)**	(139,260)	**(89,037)**	(69,484)	**(1,525,537)**	(1,664,815)
Units outstanding, end of the year	$ **816,339**	831,547	**117,693**	105,296	**169,118**	201,507	**1,103,150**	1,138,350

Statements of Changes in Net Assets

YEAR ENDED DECEMBER 31, 2003 AND 2002

THOUSANDS OF DOLLARS

	MONEY MARKET FUND		INTERMEDIATE FUND		BOND FUND		TOTAL	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
NET ASSETS, BEGINNING OF THE YEAR	$ **831,547**	679,926	**105,296**	167,120	**201,507**	171,985	1,138,350	1,019,031
Changes during the year due to:								
Operations:								
Net investment income	**23,242**	19,659	**3,238**	5,454	**6,649**	5,646	**33,129**	30,759
Net gain (loss) on investments	**52**	5	**404**	(2,281)	**854**	3,903	**1,310**	1,627
	23,294	19,664	**3,642**	3,173	**7,503**	9,549	**34,439**	32,386
Unit transactions:								
Subscriptions	**1,357,752**	1,588,028	**49,001**	74,263	**49,145**	89,457	**1,455,898**	1,751,748
Redemptions	**(1,396,254)**	(1,456,071)	**(40,246)**	(139,260)	**(89,037)**	(69,484)	**(1,525,537)**	(1,664,815)
	(38,502)	131,957	**8,755**	(64,997)	**(39,892)**	19,973	**(69,639)**	86,933
Distributions to unitholders:								
Investment income	**(23,242)**	(19,659)	**(3,238)**	(5,454)	**(6,649)**	(5,646)	**(33,129)**	(30,759)
(Gain) loss on investments	**(52)**	(5)	**(404)**	2,281	**(854)**	(3,903)	**(1,310)**	(1,627)
Distributions reinvested	**23,294**	19,664	**3,642**	3,173	**7,503**	9,549	**34,439**	32,386
	–	–	–	–	–	–	–	–
NET ASSETS, END OF THE YEAR	$ **816,339**	831,547	**117,693**	105,296	**169,118**	201,507	**1,103,150**	1,138,350
CHANGES IN INVESTMENT PORTFOLIO:								
Investments at beginning of year	$ **834,938**	680,171	**104,801**	167,125	**201,969**	171,975	**1,141,708**	1,019,271
Accretion of discounts	**25,010**	21,065	**3,455**	6,102	**8,245**	8,512	**36,710**	35,679
Investments purchased	**7,401,235**	5,333,877	**1,269,975**	545,394	**862,868**	1,057,947	**9,534,078**	6,937,218
Net realized gain (loss) on investments sold	**(3)**	(31)	**382**	(2,681)	**(394)**	1,246	**(15)**	(1,466)
	8,261,180	6,035,082	**1,378,613**	715,940	**1,072,688**	1,239,680	**10,712,481**	7,990,702
Proceeds on investments matured or sold	**(7,443,296)**	(5,200,144)	**(1,260,946)**	(611,139)	**(903,255)**	(1,037,711)	**(9,607,497)**	(6,848,994)
Investments at end of year	$ **817,884**	834,938	**117,667**	104,801	**169,433**	201,969	**1,104,984**	1,141,708

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

YEARS ENDED DECEMBER 31, 2003 AND 2002

1. Significant Accounting Policies

Basis of presentation

The Pooled Investment Funds are established by and operate under Section 13.1 of the Municipal Finance Authority Act (the "Act"). Three funds are maintained:

(a) Money Market Fund which commenced operations on May 1, 1989;

(b) Intermediate Fund which commenced operations on March 25, 1994; and

(c) Bond Fund which commenced operations on May 10, 1989.

These funds are authorized to issue an unlimited number of units, each of which represents an equal undivided interest in the net assets of the respective funds, pro rata with all other units from time to time issued and outstanding. Units are issued or redeemed at $1,000 per unit.

MONEY MARKET FUND

(a) Investments are carried at cost, adjusted for amortization of premiums and accretion of discounts on an effective yield basis, which approximates market value.

(b) Interest income is recognized as earned.

(c) Management fees are accrued daily at the rate of 3/20 of 1 percent per annum of the net assets of the fund and are paid monthly to the Operating Fund of the Authority.

(d) Net earnings from operations are distributed to unitholders daily as additional units of the fund.

INTERMEDIATE FUND / BOND FUND

(a) Investments are carried at market values which are determined as follows:
- Bonds and debentures – at the quoted mid-market value
- Treasury bills, short-term notes, etc. – at amortized cost which approximates market value for the Bond Fund and at mid-market value for the Intermediate Fund.

(b) Investment transactions are accounted for on the trade date and gains/losses from such transactions are calculated on an average cost basis.

(c) Interest income is recognized as earned.

(d) Management fees are accrued weekly and at month-end at the rate of 1/5 of 1 percent per annum of the net assets of the fund and are paid monthly to the Operating Fund of the Authority.

(e) Net earnings from operations are distributed to unitholders weekly and at month-end as additional units of the fund.

(f) Accretion of discounts and premiums are amortized on a straight-line basis over the term of the investment.

(Schedule 1)

Pooled Investments

Money Market Fund – Schedule of Investments

DECEMBER 31, 2003

THOUSANDS OF DOLLARS

		MATURITY DATE	PAR	COST	% OF TOTAL
SHORT TERM INVESTMENTS:					
Treasury Bills	Canada Treasury Bill	March 11, 2004	75,150	74,756	
	Canada Treasury Bill	March 25, 2004	78,625	78,138	
	Canada Treasury Bill	April 8, 2004	106,200	105,440	
			259,975	258,333	31.59
Bankers' Acceptance	Canadian Imperial Bank of Commerce	February 6, 2004	14,000	13,961	
	Canadian Imperial Bank of Commerce	February 4, 2004	19,250	19,201	
	HSBC Bank of Canada	February 12, 2004	9,500	9,469	
	HSBC Bank of Canada	March 15, 2004	3,000	2,984	
			45,750	45,615	5.58
Discount Commercial Paper	Alcan Aluminium	March 3, 2004	11,350	11,295	
	Alcan Aluminium	March 5, 2004	11,000	10,945	
	Cadbury Beverages Canada Inc.	January 7, 2004	9,500	9,496	
	Cadbury Beverages Canada Inc.	January 12, 2004	4,350	4,346	
	Caisse Centrale	March 30, 2004	1,400	1,391	
	Citygroup Financial Canada	February 10, 2004	9,000	8,972	
	Citygroup Financial Canada	February 17, 2004	11,700	11,658	
	Clear Trust	February 5, 2004	1,800	1,795	
	Clear Trust	February 12, 2004	8,000	7,974	
	Clear Trust	February 18, 2004	10,200	10,163	
	Congress Financial Corporation	March 4, 2004	10,000	9,953	
	Darwin Trust	March 17, 2004	10,000	9,944	
	Diversified Trust	February 5, 2004	3,600	3,590	
	Diversified Trust	February 17, 2004	24,250	24,163	
	Diversified Trust	February 18, 2004	8,000	7,971	
	Diversified Trust	March 29, 2004	1,550	1,540	
	Enbridge Inc.	February 24, 2004	10,000	9,959	
	Foothills Pipe Lines Ltd.	February 11, 2004	21,500	21,431	
	Honda Canada Finance	February 13, 2004	21,000	20,931	
	Household Financial Corp.	March 5, 2004	5,000	4,976	
	Leaf Trust	February 5, 2004	3,175	3,167	
	Leaf Trust	February 6, 2004	5,000	4,986	
	Leaf Trust	March 10, 2004	8,450	8,406	
	Macro Trust	February 5, 2004	20,000	19,947	
	Macro Trust	February 17, 2004	16,000	15,944	
	Manulife Bank of Canada	February 19, 2004	13,200	13,151	
	Manulife Bank of Canada	March 24, 2004	4,700	4,671	
	Mccain Finance (Canada) Ltd.	January 28, 2004	7,900	7,884	
	Mccain Finance (Canada) Ltd.	February 23, 2004	2,250	2,241	
	Mccain Finance (Canada) Ltd.	March 22, 2004	1,250	1,242	
	Omers Reality Corporation	March 16, 2004	14,000	13,923	
	Pure Trust	March 3, 2004	8,900	8,859	
	Safe Trust	February 18, 2004	1,650	1,644	
	Safe Trust	March 8, 2004	17,000	16,914	
	Safe Trust	March 10, 2004	13,300	13,231	
	Safe Trust	March 17, 2004	3,100	3,083	

Continued on next page

	Shoppers Drug	January 30, 2004	4,000	3,991	
	Smart Trust	February 5, 2004	5,700	5,685	
	Sound Trust	February 18, 2004	10,400	10,362	
	Sound Trust	March 4, 2004	19,650	19,557	
	Sound Trust	March 10, 2004	7,300	7,262	
	Summit Trust	February 5, 2004	9,000	8,976	
	Summit Trust	February 6, 2004	5,000	4,986	
	Summit Trust	February 13, 2004	7,500	7,475	
	Summit Trust	February 18, 2004	5,500	5,480	
	Summit Trust	March 4, 2004	5,000	4,976	
	Summit Trust	March 12, 2004	4,150	4,128	
	Terasan Inc.	March 8, 2004	7,350	7,313	
	Wells Fargo Company	February 17, 2004	20,000	19,928	
			443,625	441,906	54.03
Total Short Term Investments			749,350	745,855	91.20
Corporate Bonds	Bell Canada	April 30, 2004	13,000	13,168	
	Canadian Credit Card Trust	September 24, 2004	32,100	32,120	
	Caterpillar Financial Services	March 10, 2005	10,000	10,018	
	CNH Capital Canada Receivable Trust	May 17, 2004	5,500	5,516	
	Maritime Life Canadian Funding	January 9, 2004	4,654	4,682	
	Woodbridge Financial Corporation	May 13, 2004	6,500	6,526	
			71,754	72,030	8.80
TOTAL INVESTMENTS PORTFOLIO			821,104	817,884	100.00

(Schedule 2)

Pooled Investments

Intermediate Fund – Schedule of Investments

DECEMBER 31, 2003

THOUSANDS OF DOLLARS		MATURITY DATE	PAR	MARKET	% OF TOTAL
SHORT TERM INVESTMENTS:					
Treasury Bills	Canada Treasury Bills	December 30, 2004	120,750	117,667	
TOTAL INVESTMENTS PORTFOLIO			120,750	117,667	100.00

(Schedule 3)

Pooled Investments

Bond Fund – Schedule of Investments

DECEMBER 31, 2003

THOUSANDS OF DOLLARS

		MATURITY DATE	PAR	MARKET	% OF TOTAL
SHORT TERM INVESTMENTS:					
Treasury Bills	Government of Canada	January 12, 2004	1,000	999	0.59
Medium Term Notes	Aliant Telecom Inc.	November 24, 2005	325	348	
	Aliant Telecom Inc.	January 15, 2007	750	803	
	Transcanada Pipelines Ltd	February 15, 2007	1,275	1,387	
	Bell Mobility Cellular Inc.	June 2, 2008	1,145	1,251	
			3,495	3,788	2.24
CANADIAN BONDS					
Federal Bonds	Government of Canada	September 1, 2005	3,860	4,132	
	Government of Canada	September 1, 2006	19,310	20,892	
	Government of Canada	June 1, 2008	3,310	3,610	
			26,480	28,635	16.90
Provincial Bonds	Province of British Columbia	December 18, 2008	5,765	5,809	
	Province of Ontario	January 19, 2006	3,210	3,595	
	Province of Ontario	March 8, 2006	10,710	11,518	
	Province of Quebec	June 1, 2009	4,355	4,624	
			24,040	25,546	15.08
Corporate Bonds	Bank of Montreal	March 31, 2009	1,600	1,650	
	Bank of Nova Scotia	February 8, 2011	2,110	2,348	
	Bank of Nova Scotia	July 16, 2012	450	498	
	Canada Housing Trust	March 15, 2007	11,595	12,177	
	Canada Housing Trust	September 15, 2007	14,475	15,360	
	Canada Housing Trust	December 15, 2008	6,400	6,409	
	Canadian Auto Floorplan	February 15, 2008	2,480	2,579	
	Canadian Imperial Bank of Commerce	January 31, 2011	2,000	2,227	
	Canadian Imperial Bank of Commerce	April 25, 2011	3,440	3,855	
	Capital Desjardins Inc.	June 1, 2012	1,250	1,321	
	Caterpillar Financial Services Ltd	August 7, 2008	850	871	
	CDP Financial	October 14, 2008	1,235	1,251	
	Encana Corporation	December 3, 2007	2,260	2,363	
	General Electric Capital Canada Funding Co.	July 24, 2007	1,695	1,814	
	General Electric Capital Canada Funding Co.	April 23, 2008	1,625	1,695	
	Gloucester Credit Card Trust	June 15, 2007	1,525	1,615	
	Gloucester Credit Card Trust	October 15, 2008	1,665	1,687	
	Greater Toronto Airport Authority	June 2, 2008	1,140	1,176	
	Household Finance Corp.	April 11, 2005	440	463	
	Household Finance Corp.	December 1, 2006	965	1,024	
	Household Finance Corp.	June 1, 2007	880	954	
	Household Finance Corp.	July 2, 2008	900	929	
	Hydro One	January 30, 2006	795	823	
	Maritime Life Canadian Funding	March 12, 2007	2,625	2,790	
	Maritime Life Canadian Funding	November 12, 2008	925	937	
	Master Credit Card Trust	June 21, 2007	1,895	2,034	
	Merrill Lynch Canada	September 12, 2006	1,130	1,155	
	Municipal Finance Authority	December 1, 2005	8,010	8,746	
	NAV Canada	February 13, 2006	2,320	2,404	
	Royal Bank of Canada	September 12, 2011	2,120	2,324	
	Royal Bank of Canada	June 4, 2012	1,070	1,173	

Continued on next page

	Score Trust CreditCard Receivable	November 15, 2006	2,030	2,122		
	Thomson Corporation	July 17, 2007	1,450	1,616		
	Toronto Dominion Bank	December 1, 2010	1,340	1,477		
	Toronto Dominion Bank	July 26, 2011	3,090	3,359		
	Toronto Dominion Bank	July 31, 2012	420	468		
	Toronto Dominion Bank	September 5, 2013	1,465	1,505		
	Wells Fargo Financial Corporation	February 21, 2006	1,225	1,308		
	Wells Fargo Financial Corporation	June 16, 2008	700	725		
	York Receivables Trust	July 21, 2006	2,260	2,300		
			95,850	101,531	59.92	
Total Canadian Bonds			146,370	155,713		91.90
ASSET BACKED:						
Mortgage Backed – Conventional	Hollis Receivables Term Trust	April 26, 2006	1,605	1,705		1.00
MORTGAGES:						
CMHC Insured Mortgages	Penmor Mortgage # 1865-1F	June 15, 2007	151	158		
	Penmor Mortgage # 1924W Spin Venture	September 1, 2004	757	775		
	Penmor Mortgage # 1995 – IJ	November 15, 2008	547	550		
	Penmor Investment Services	November 1, 2006	499	523		
NHA Insured Mortgages	Penmor Loan #2331-OW	January 1, 2007	1,383	1,418		
	Penmor Loan #2341-OW	December 1, 2006	612	637		
	Penmor Loan #2372-OW	March 1, 2007	598	625		
	Penmor Loan #2381-OW	April 1, 2007	597	623		
	Penmor Loan #2516-OW	May 1, 2008	455	473		
	Penmor Loan #2544-OW	September 1, 2008	900	918		
	Penmor Loan #2563-OF	December 1, 2008	520	527		
Total Mortgages			7,021	7,228		4.27
TOTAL INVESTMENTS PORTFOLIO			159,491	169,433		100.00

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